

A nice place to live
Michael Thompson-Noel



Tips from the top

How to conduct a board meeting

Sir Richard Greenbury of Marks and Spencer opens a new management series, Page 12



Middle East

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Henry Kaufman

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FINANCIAL TIMES

Europe's Business Newspaper

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California tax law likely to appease foreign companies

California tax legislation passed at the weekend is expected to end the threat of British action against California-based companies operating in the UK. The new law is thought to remove the main remaining objections of foreign-owned companies to the state's tax system, which they argue has discriminated against them, and allow them to choose an alternative system of assessment known as "water's edge".

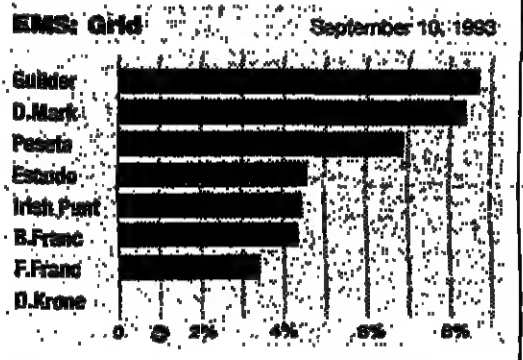
California's unitary system taxes a company on a percentage of its worldwide income, rather than on income earned in the state, and can lead to foreign companies being taxed twice on the same income. Page 16

German coalition in dispute: The stability of Germany's ruling coalition was threatened after a dispute over who pays for the latest addition to the country's generous social security system - nursing care for the elderly and handicapped. Page 16; Parties find their candidates, Page 3

Nato plans Bosnia peace force: Nato is developing a plan to send about 50,000 peacekeeping troops to Bosnia, up to half of them Americans, if agreement is reached to end the civil war. US defence secretary Les Aspin said, Page 5

Victory for Left expected in Norway: Norwegians today vote in a general election which is expected to see the ruling Labour party led by Gro Harlem Brundtland re-elected. Page 16; Out in the cold on a hot debate, Page 14

European Monetary System: The exchange rate mechanism grid looks more relaxed at the start of the week, despite the pressure on the non-D-Mark currencies that followed last week's wave of interest rate cuts. Some 8.72 percentage points divide the strongest currency, the Dutch guilder, from the weakest, the Danish krone. That is just over half the 15 percentage point divergence allowed by the new bands. The Belgian franc recovered sharply against the D-Mark on Friday, and has leaptfrogged the French franc into third place from bottom. Currencies, Page 29; Lex, Page 16



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reform of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The exception is the difference between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Tokyo draws up emergency package: The new Japanese government is expected on Thursday to unveil an emergency economic stimulus package worth up to ¥5,000bn (\$47bn). The second such package this year. A ¥13,200bn public spending plan was adopted by the former LDP government in April. Page 6

British Steel may pull out of a plan to restructure the EC steel industry unless the European Commission takes tougher action to curb state subsidies. Page 17; Lex, Page 16

EC bank deposits deal: EC finance ministers are ready to override German objections and agree a new Community-wide bank deposit guarantee scheme, which would raise the level of minimum protection to Ecu20,000 (\$23,600) and would allow similar arrangements to raise cover for investors in stocks and shares. Page 4

Ontario Hydro, one of North America's biggest power utilities, is preparing for a partial privatisation; the Toronto-based utility currently relies entirely on debt financing, and has amassed borrowings of more than C\$34bn (\$26bn). Page 17

India to lift S Africa sanctions: India, a founder of the international anti-apartheid movement, will lift trade sanctions against South Africa this month and may establish diplomatic ties with Pretoria soon, said a government minister.

OMV, troubled Austrian integrated oil and chemicals group, reported a first-half operating loss of Sch552m (\$49m) after a loss of Sch584m year on year. Page 20

St Petersburg bank venture: Dresdner Bank and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since 1917. Page 20

Peregrine Investments, Hong Kong-listed pan-Asian securities business, has been disciplined by the colony's stock market regulators for misconduct concerning three flotations handled by the company. Page 20

Banker faces bribe charges: Ewan Lauder, the former head of Hongkong and Shanghai Banking's merchant banking arm, Wardley, who was arrested on Friday in the UK in connection with the collapse of the Carrian empire in 1983, is facing extradition to Hong Kong on charges of accepting HK\$45m (\$5.65m) in personal bribes from Carrian group companies. Page 6

Palestinians step up action as Arafat and Rabin fly to sign historic pact

Israel and Gaza hit by clashes over peace deal

By Julian Ozzane in the Gaza Strip

BLOODY clashes erupted in the Gaza Strip and Israel yesterday as Palestinians opposing the historic peace agreement, due to be signed today in Washington, stepped up their violent protests. At least eight people died as one of the worst days of Arab-Israeli clashes in recent years attended the departure of Mr Yitzhak Rabin, Israel's prime minister, and Mr Yasser Arafat, the Palestine Liberation Organisation leader, who flew to the US to witness the signing of an historic Israeli-Palestinian peace agreement.

The violence has exposed the deep divisions within the Palestinian community over the deal, which may threaten the stability of the peace process. The disturbances, fuelled by Islamic fundamentalists, reflect the widening rift among Palestinians over the agreement inside the occupied territories and within the PLO itself.

Hours before Mr Rabin left Jerusalem, three Israeli soldiers were shot dead in Gaza by Islamic fundamentalists opposed to peace with Israel. The military wing of Hamas, the Islamic Resistance Movement, which has vowed to keep up the armed struggle against "Zionists", claimed responsibility for the ambush on an army jeep, in which the attackers made off with two rifles.

Scores of heavily armed border police and soldiers barricaded roads and sealed off areas of Gaza city yesterday during a fruitless hunt for the killers. In other incidents in Gaza, three rejectionist Arabs were killed, bringing the weekend Palestinian death toll to at least five after emotional demonstrations across the territories in favour as well as against the peace deal. In Israel, an Arab stabbed to death an Israeli bus driver and was then shot dead by a soldier on a bus travelling between Ashdod and Ashkelon.

Unrest in the territories has been ignited by angry denunciations from Palestinian factions abroad and by resignations from the PLO. Ten Damascus-based Palestinian factions, including the Popular Front for the Liberation of Palestine and the leftist Democratic Front for the Liberation of Palestine, have vowed to sabotage the accord. Iranian-backed fundamentalist groups in the territories and in Lebanon have joined secular political organisations in denouncing the agreement and trying to forge a broad front against it.

The opposition has, however, pledged not to battle against Palestinians but to intensify the onslaught against Israelis and Jewish settlers.

In Ramallah, on the west Bank, Israeli soldiers shot dead two PFLP supporters. Rejectionist Palestinians say the peace agreement falls far short of Palestinian demands for an independent state, control over occupied Arab east Jerusalem and the right of return of thousands of Palestinians exiled during the 46-year Arab-Israeli conflict. They have called for a general strike throughout the occupied territories today to protest against the signing.

In southern Lebanon, a bomb exploded in near an Israeli army patrol, prompting an Israeli armoured force to sweep the valley and nearby hills with machine gun fire.

As he left north Africa, Mr Arafat's moderate Fatah group was under severe criticism from hard-line Arab groups, but he defended the accord as a step on the road to the establishment of a Palestinian state.

Mr Arafat, speaking as he boarded a flight to Washington, a city he has never visited, said: "It is a historical, very important moment, and it is a step on the right road leading to a Palestinian state."

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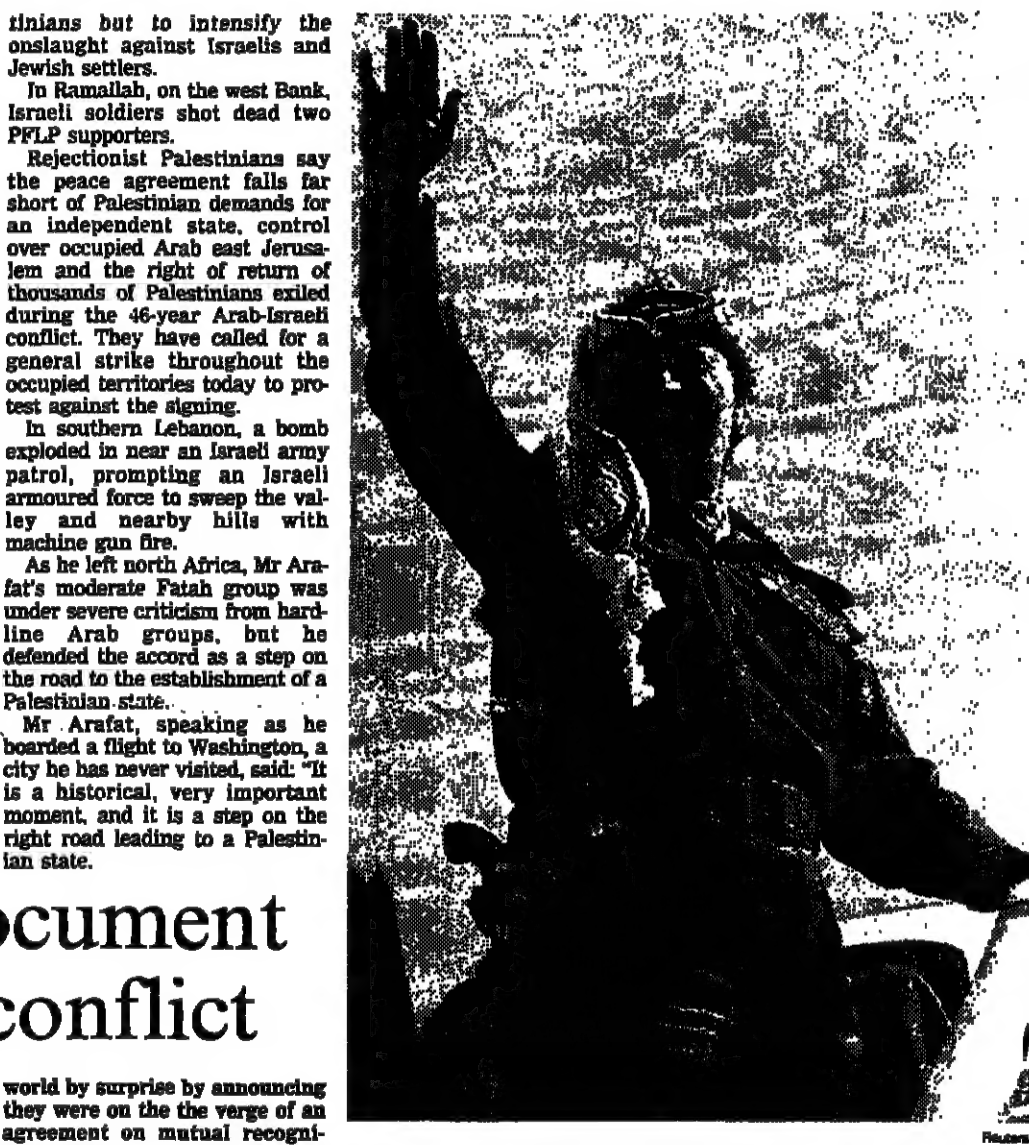
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Palestinian children with spray cans and toy guns express violent sentiments in Sidon, Lebanon



Yasser Arafat leaves Tunisia for Washington to sign the peace deal

EC envoy to test US stance on trade talks

By Lionel Barber in Bilzen and David Buchan in Paris

SIR LEON BRITTON, the EC's chief trade negotiator, will today test whether the Clinton administration can offer new flexibility in the Gatt talks amid signs that the French campaign to re-examine the Blair House trade accord is making headway.

European Community foreign ministers are hoping Sir Leon can persuade his US counterparts to allow "clarification" of certain aspects of the Blair House agreement, while avoiding a formal renegotiation.

The delicate task of mollifying France while avoiding a further political crisis within the Community dominated two days of informal talks in Bilzen, east Belgium, which ended yesterday.

Mr Jacques Delors, president of the European Commission, said France had "psychological" difficulties with Blair House. He described French threats to veto the draft US-EC farm trade accord as "deadly serious".

Mr Douglas Hurd, UK foreign secretary, said plans for an EC summit on October 29 to celebrate ratification of the Maastricht treaty might fail if the Community did not resolve internal disputes over the farm trade accord.

Sir Leon, who attended the Saturday session, will meet Mr Lloyd Bentsen, US treasury secretary, and Mr Ron Brown, commerce secretary, on his US tour. His most important talks are scheduled tomorrow, when he holds a one-to-one session with Mr Mickey Kantor, US trade representative.

Brussels officials said Sir Leon faced the tricky task of impressing on Mr Kantor the mutual EC/US interest in securing a Gatt deal, while also exploring whether the administration might be willing to risk the wrath of US farmers and Congress by offering some concessions to the French on Blair House.

Mr Alain Juppé, French foreign minister, suggested that Sir Leon should explore whether there is room for manoeuvre on the 21 per cent reduction in the volume of subsidised exports, primarily by subtracting humanitarian

Continued on Page 16

Signing of brief document may end years of conflict

By Mark Nicholson in Washington

At 11am today in Washington, a brief document, to be signed by two old enemies on the south lawn of the White House, is intended to mark the end to one of the 20th century's most bitter territorial conflicts.

After 15 months of secret negotiations in isolated farmhouses in Norway, an audience of 2,500 distinguished guests will be on hand to witness Mr Shimon Peres, the Israeli foreign minister, and Mr Abu Mazen, a senior Palestine Liberation Organisation official, put their names to the outline Israeli-Palestinian peace agreement.

The signing will be witnessed by Mr Yasser Arafat, chairman of the PLO, who flew into Washington last night for the first time since 1974, and his old foe Mr Yitzhak Rabin, the Israeli prime minister, who was due to arrive early this morning.

It will cap an extraordinary two weeks which began when Israel and the PLO took the world by surprise by announcing they were on the verge of an agreement on mutual recognition and limited Palestinian autonomy.

In the following days momentum behind the agreement grew. Mr Rabin faced down opposition from the Israeli right wing, while last week Mr Arafat won the support of the PLO's executive council. On Friday the two leaders exchanged letters to seal the recognition agreement.

Continued on Page 16

News Corp sells Hong Kong newspaper stake for \$349m

By Simon Davies in Hong Kong

MR Rupert Murdoch's News Corporation yesterday finalised a long-awaited agreement to sell 34.9 per cent of the South China Morning Post, Hong Kong's main English-language newspaper, to Mr Robert Kuok, the Malaysian-born billionaire.

The deal - valued at \$349m (\$226.6m) - places one of Hong Kong's leading newspaper groups in the hands of an influential Asian businessman who is well known for his pro-China sympathies.

Mr Stephen Brown, director of HG Asia, one of the biggest local stockbrokers, said: "I cannot read anything but politics, and the big hand of Beijing, in this deal." Mr Kuok has no previous experience of investment in newspapers.

There is little doubt in Hong Kong the Chinese government will be pleased to see a corporate ally taking effective control of what is arguably Hong Kong's most influential newspaper.

The SCMP shares are being sold at about HK\$5.18 (\$0.44) a share, against the last traded price of HK\$5.35. Mr Murdoch will retain a 15.1 per cent stake in the newspaper.

SCMP is Hong Kong's oldest remaining newspaper and is one of the most profitable newspapers in the world. News Corp purchased the company in 1987, assuming the remaining 15 per cent is sold at current prices, Mr Murdoch will have made more than HK\$5bn profit from a HK\$2.4bn investment.

The capital raised from the latest sale will cover 66 per cent of the acquisition cost of Hong Kong-based satellite broadcaster Star TV, purchased by Mr Murdoch in July for US\$25m.

In Hong Kong, the two transactions are widely interpreted as showing a switch in Mr Murdoch's focus from print to electronic media.

The purchasing company is Kerry Media, an associate of Mr Kuok's Hong Kong flagship company Kerry Group; the remainder of Kerry Media is owned by other Kuok-controlled companies. By buying a stake below 35 per cent, Mr Kuok avoids having to make a general offer for the company. It had been expected that there would be some Singaporean involvement in the deal. Straits Press and United Overseas Bank already own 14 per cent of SCMP and any further purchases in concert with Mr Kuok would have triggered an offer for the entire company.

This will raise expectations that Straits Press may acquire part of Mr Murdoch's remaining interest in the company. The Singaporean newspaper publisher is anxious to build up its regional publishing interests and would be a useful partner for Mr Kuok, given his lack of media expertise.

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NEWS: MIDDLE EAST PEACE DEAL

Hammas and other groups will lead Palestinian objections to Arafat's deal with Israel

Fundamentalists from the shanty towns

By Julian Ozanne in the occupied Gaza Strip

A SEA of bobbing girls wearing white embroidered Jabbas - Islamic head scarves - pours into the pot-holed, sewage-ridden streets of Khan Younis, a dirty shanty town in the Gaza Strip. In the midday heat, beneath their blue and white striped uniforms, the schoolgirls wear dark trousers down to their ankles.

They are the only picturesque sight in the dreary and impoverished town, a stronghold of Islamic fundamentalist groups such as Hamas and Islamic Jihad which reject peace with Israel and could violently threaten the peace agreement to be signed in Washington today.

Although it is impossible to estimate accurately their strength, experts say Islamic fundamentalists and supporters of other Palestinian organisations which reject the agreement command support among about 40 per cent of Gaza's 780,000 residents. Their support in the West Bank is estimated at 20-25 per cent.

Their emotional nationalistic rhetoric, appeal to Islamic conviction and considerable potential for violence present the Palestine Liberation Organisation, poised to take control of Gaza, with a formidable challenge. Much will depend on how the PLO and, more important, Mr Yasser Arafat's Fatah faction deal with the rejections on assuming power. Any crack-down on Islamic fundamentalist dissent will raise the prospect of serious inter-Palestinian conflict.

Graffiti staining almost all the walls of Khan Younis proclaims solidarity with the martyrs of the pro-Islamic Hizbullah guerrilla movement in Lebanon and claims credit for the deaths of Israeli soldiers in the occupied territories.

The residents of Khan Younis are also proud that there is the home town of Mr Abdul Aziz al-Rantisi, the leader of the 415 Islamic activists deported by Israel to Lebanon last December.

Over the years Gaza has become a deeply Islamic soci-

ety. It is extremely rare to see a woman in the street who is not covered head to toe. Alcohol is strictly prohibited. Smoking in public is frowned on. Most Gazans say they are proud to live a life based on the strict principles of the Koran.

Of all the "rejectionist groups" opposed to the peace agreement, the strongest is the Islamic Resistance Movement, known as Hamas, an acronym which literally means zeal. As a-Din al-Kassam, Hamas' poorly equipped military wing, is named after a Palestinian martyr who launched a Jihad - holy war - against British imperialism and Jewish settlement in Palestine in the 1930s.

Hamas' charter calls for the annihilation of the Jewish state by armed struggle, the liberation of the entire Islamic lands of Palestine and the establishment of an Islamic state based on Sharia Koranic law.

Since the announcement of the peace agreement Hamas, a secretive underground organisation, has strongly condemned the accord, saying it falls far short of Palestinian demands for statehood, a right of return for Palestinian refugees and control over occupied Arab East Jerusalem - site of the Dome of the Rock mosque, Islam's third holiest shrine.

Their leaflets accuse Mr Arafat of "conspiring with the Zionist enemy in a conspiracy" against the Palestinian people. They have mounted demonstrations across the West Bank and Gaza Strip but so far they have ruled out violence against the PLO or the possibility of civil war.

"The youth want to fight but it is not the policy of Hamas," says a lecturer at the Islamic University of Gaza. "There will not be a civil war among Palestinians because for now we accept dialogue and democracy. The leadership will make the decisions according to Sharia and the soldiers of Hamas will follow instructions."

Hamas is waiting to see how the agreement will be implemented and received. The Islamic Jihad movement in Palestine, closely aligned to Hamas, has gone further. Mr



Residents wheel bicycles past the Municipal Building in the centre of Jericho, in the occupied West Bank. The building has been decorated with pictures of Palestine Liberation Organisation leader Yasser Arafat.

Fatehi Shukaki, its exiled commander, said last week the accord was "against the Koran, against Islamic law... We will continue our struggle through armed struggle and through other means." Other rejectionist groups have called for Mr Arafat's head.

Hamas has been growing in strength over the past decade - thriving in Gaza's impoverished refugee camps and among youths discontented with corruption in the PLO exiled leadership and with lack of progress in the peace talks.

At first the organisation was tolerated by Israel as a counterweight to Fatah, but

was later banned and went underground. It has drawn its greatest support from a programme of Islamic education and welfare run by its social wing, the Islamic Society. This distributes arms to the poor and runs nine kindergartens.

Children learn reading, writing and Islam. Behind the school is an Islamic court, equipped with a wooden gavel, where a panel of Islamic scholars, lawyers and community leaders hear and resolve family problems and disputes over inheritance and commerce.

Despite Hamas' welfare programme Fatah has kept political control, winning large

majorities in elections to professional associations. The only body controlled by Hamas is the Islamic University association.

Many Hamas leaders know they have a lot to lose by confronting Fatah. Without a strong Arab country behind them, it would be difficult to mount a united challenge. They are also strongly wedded to the democratic principles embedded in many Islamic fundamentalist movements.

Mr Abdul-Rahman Hamad, one of the most senior Fatah leaders in Gaza, says: "We will not use force against Hamas and they will either lose their support or participate in elec-

tions, which means they accept the agreement."

If Mr Hamad is right Hamas, like the Muslim Brotherhood in Egypt, could emerge as an acceptable political party. However, if Fatah hardliners pursue threats to repress Hamas, a violent backlash will be inevitable.

"If Fatah decides to act like the Algerian regime and suppress dissent there will be violent conflict," says Mr Martin Klaimar, an expert on Islamic fundamentalism at Tel Aviv University. "But the conditions are not there for full-scale civil war. It will more likely take the form of clashes and assassinations."

Hospitals fill up as protests hit the streets

Tony Walker is among the wounded in fighting at Ramallah

The scene in the emergency ward of Ramallah Hospital was like the worst days of the *intifada*, the Palestinian uprising against Israeli rule over the occupied West Bank and Gaza Strip.

Doctors and nurses worked feverishly to save the lives of badly-wounded Palestinians, some of whom had been shot in the abdomen, in the chest, and in the head.

The floor of the casualty station, all of whose beds and stretchers were occupied, was awash with blood from those shot by Israeli soldiers seeking to control demonstrations that had turned the centre of the Arab West Bank town into a war zone. At least two Palestinians died yesterday and scores were injured.

A day after Israel and the Palestine Liberation Organisation agreed mutual recognition, the mood on the streets of Ramallah, other West Bank towns and in the Gaza Strip was far from peaceful.

In Ramallah, on a sunny day, Palestinians associated with the Islamic fundamentalist Hamas and the militant Popular Front for the Liberation of Palestine fought pitched battles with tough Israeli border police in streets scarred by nearly six years of conflict since the *intifada* erupted in December 1987.

The militant Palestinians also clashed in Ramallah and other places with loyalists of Mr Yasser Arafat, the PLO leader, who is under threat of assassination after his momentous decision to conclude a peace deal with Israel.

The Ramallah disturbances, in which youths threw rocks and broken bottles, were one of the bloodiest demonstrations on a day of violence in areas where militants have their strongholds.

The violence was a warning of the enormous difficulties ahead in efforts to convert agreements on paper into reality on the ground.

Opposition to the peace accord burns fiercely in the hearts of many Palestinians, no less than it does among

Israelis of the right and the militant settler movement. My own experience in Ramallah, when I was shot in the leg by what I believe was a ricocheting live bullet fired by an Israeli soldier into a crowd of Palestinian demonstrators, was a reminder of the sheer unpredictability of events in the Middle East.

I had travelled from Jerusalem into the West Bank to sample opinion among influential Palestinians, and on my way back to my hotel I had stopped almost on a whim to observe the Ramallah demonstrations, which were following a pattern familiar to those of us who had reported the *intifada* from its earliest days.

Palestinian youths, some with their heads swathed in keffiyehs, were throwing rocks towards Israeli soldiers, clad in riot gear and armed with rifles and tear-gas launchers.

Suddenly, without warning, there was a fusillade of shots and observers of the scene rushed for cover. It was at that moment that I felt a thud in my leg, much as if I had been kicked by a mule.

Fortunately, two young Palestinians, noting my plight, helped me into the back seat of a passing taxi which headed through a narrow, crowded street of the old Arab town towards a nearby hospital.

At the Ramallah Hospital, where I had gone several times before as an observer during the early days of the *intifada*, I was greeted by chaotic scenes as cars and ambulances disgorged the wounded into a tiny casualty station, filled to overflowing.

While there, I saw at least one dead Palestinian carted away from the emergency ward with mourning friends and relatives chanting "Allahu Akbar, Allahu Akbar" - "God is great, God is great".

My experience on Saturday was but a microcosm of what has been happening in the West Bank and Gaza Strip for nearly six years, and looks set to continue for the moment until things settle down if they ever do.

Timetable for the peace process

September 13: Declaration of Principles (DOP) signed in Washington.

October 13: DOP comes into force. Joint Israeli-Palestinian Liaison Committee formed to implement the DOP.

By December 13: Israel and Palestinians agree protocol on withdrawal of Israeli forces from Gaza Strip and Jericho. Israel immediately begins accelerated military withdrawal.

By April 13 1994: Israel will complete military withdrawal from Gaza and Jericho. Israel immediately transfers powers to nominated Palestinian authority. Countdown of the five-year period of interim self-government to a permanent settlement begins.

By July 13 1994: Palestinian elections, which are to be followed by inauguration of a Palestinian Council and the dissolution of Israeli military-run civil administration in the occupied territories.

By February 13 1996: Israel and Palestinians commence negotiations on permanent settlement.

By February 13 1999: Permanent settlement comes into force.

PLO riven by most serious split yet

Opposition groups are seeking to thwart the accord, writes Lamis Andoni

ON THE EVE of the signing of a historic accord with Israel, the Palestine Liberation Organisation is suffering from the most serious split since its inception.

Opposition to the agreement with Israel is mounting, both inside and outside the PLO.

The opposition, which now includes more than 10 groups ranging from the Islamic resistance movement, Hamas, to the leftist, Democratic Front for the Liberation of Palestine (DFLP), and the Popular Front of Palestine (PFLP), is seeking to form a broad alliance to thwart the accord.

The opposition has, however, pledged not to resort to violence against the future Palestinian autonomy authority, although it has not decided yet if it should form an alternative organisation challenging the legitimacy of the PLO.

Over the last three weeks Mr Mohammed Dahlan, an independent, Shafiq al-Hout, PLO representative in Lebanon, Abdullah Hourani, an independent, Tayssir Khaled of the DFLP, and Abdul Rahman-Malloul of the PFLP have resigned from the PLO executive committee as demonstrations against Mr Arafat continued in the refugee camps in Jordan and Lebanon.

As a result of the resignations the 18-member PLO executive committee is now mainly

confined to Fatah, the mainstream movement led by Mr Arafat, and the Palestine People's party (the former communists), a group that has steady influence in the Israeli occupied West Bank and the Gaza Strip.

But even Fatah, which remains dominant inside and outside the occupied territories, has been infected by divisions over peace with Israel. Three of the co-founders of the movement, including the PLO foreign minister Farouk Al Kadoumi, who has historically been closer to the left, and the two brothers Khaled and Hani Al Hassan, who are ideologically associated with the right, have publicly contested the terms of Mr Arafat's agreement with Israel.

PLO executive committee member Suleiman Najab, who voted in favour of the peace agreement last week, said yesterday he saw no need to rush into signing it in Washington, as Mr Arafat has done.

"We should first secure Arab agreement and backing through an emergency summit. This would be more in harmony with our pan-Arab commitments and with agreements we have made with our Arab brothers," he said in a statement.

"We should also have obtained the approval of the PLO central council before

signing it," he added. The PLO plans to call a meeting of the 100-member council to ratify the agreement after the signing ceremony in Washington.

Opposition within Fatah is particularly strong in Jordan and Lebanon, where former fighters in the movement feel betrayed by the leadership commitment to prevent acts of violence against the Israeli occupation forces.

According to Fatah sources, at least 180 former fighters - based in Jordan - have refused to join the new Palestinian police force Mr Arafat is to form as part of arrangements for the Palestinian autonomy.

"We are ready to serve in nationalist police force in an independent Palestinian state but not to be tools to suppress our people's resistance against the Israeli occupation," said a Fatah fighter, who has been a member in the movement for the last 16 years, on condition of anonymity.

Such fears were cited by senior PLO officials who resigned from the top level decision-making body.

"This agreement transforms the Palestinian autonomy authority into a repression apparatus against our people in favour of Israel," said Abdullah Hourani, the latest independent member to resign



Yasser Arafat: other founders of the PLO have contested the terms of his agreement with Israel

from the executive committee, in reference to provisions in the limited autonomy concern-

EC will invite Arafat for talks

By Lionel Barber in Bilzen

THE EC will today invite Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, to Brussels to discuss economic reconstruction in the occupied territories as part of a wide-ranging political dialogue with the PLO leader.

EC foreign ministers, meeting in eastern Belgium, also gave a warm welcome to European Commission proposals to double assistance to the occupied territories to Ecu500m (£383m) over the next five years.

The Commission is to invite Israeli and Palestinian experts to come separately to Brussels to discuss how to bolster the economy of the Gaza Strip and West Bank, and to use money to improve health, education and infrastructure in the occupied territories.

Mr Jacques Delors, president of the Commission, and Mr Willy Claes, Belgian foreign minister who chairs the rotating EC presidency, will attend today's ceremony in Washington to sign the peace agreement between Israel and the PLO. The invitation to Mr Ara-

fat is likely to be extended after the Washington ceremony.

Mr Delors appealed to western countries to co-ordinate their aid effort and warned against making loose promises of hundreds of millions of dollars without proper assessment of the occupied territories' capacity to absorb aid. "We have seen what happened with Russia," he said.

The elevation of Mr Arafat forms part of an unfolding EC diplomatic effort aimed at responding to the Israeli-EC peace accord on mutual recognition and self-rule in Gaza and the West Bank town of Jericho.

Ministers yesterday approved a new mandate for the Commission to update a 1975 trade agreement with Israel, while holding out the prospect of aid to other Arab countries such as Jordan, Syria and Lebanon once they complete peace agreements with Israel.

The EC also wants an end to the Arab trade boycott of Israeli products, and is likely to press Mr Arafat on this matter.

Pact bars Palestinian rule in Arab east Jerusalem

By Julian Ozanne in Jerusalem

THE historic Israeli-Palestinian peace agreement to be signed at the White House today provides for an interim five-year period of Palestinian self-rule in the occupied West Bank and Gaza Strip.

In addition Israeli troops will completely withdraw from Gaza and an enclave, expected to be about 100 sq km, around the West Bank town of Jericho, giving Palestinian authority in these two areas a fuller meaning.

Once the document, known as the "Declaration of Principles" (DOP), is signed in Washington, several more agreements and protocols will have to be negotiated in the next three months to flesh out the agreement in such areas as elections, policing and the withdrawal of Israeli troops. The DOP will come into force a month after signing.

The text of the DOP, however, makes blatantly clear that a "Palestinian Interim Self-Government

Authority" will have no jurisdiction over occupied Arab East Jerusalem, Jewish settlements and Israeli nationals in the occupied territories, and external security arrangements, foreign relations and co-operation with neighbouring states during the interim period.

Negotiations on a permanent Israeli-Palestinian settlement based on United Nations Security Council Resolutions 242 and 338 will begin "as soon as possible but not later than the beginning of the third year of the interim period". Permanent status negotiations will resolve all the outstanding issues including Jerusalem, refugees, settlements, security arrangements and borders.

The first important protocol which will be negotiated after today's signing, as stated in Annex Two of the DOP, will provide for the withdrawal of Israeli Forces from the Gaza Strip and Jericho area. The protocol should be concluded and signed within three months. Upon the

immediate signing of the protocol "Israel will implement an accelerated and scheduled withdrawal of Israeli military forces... to be completed within a period not exceeding four months."

The protocol on withdrawal will include arrangements for:

- A smooth transition;
- The assumption of internal security and public order by the Palestinian police force, consisting of police officers from within the territories and those holding Jordanian or Egyptian passports;
- A temporary international or foreign presence;
- The establishment of a joint Palestinian-Israeli Co-ordination and Co-operation Committee for mutual security purposes;
- An economic development and stabilisation programme, including the establishment of an emergency fund to encourage foreign investment and financial and economic support;

- Safe passage of persons and transportation between the Gaza Strip and Jericho;
- Co-ordination for border passage between Gaza and Egypt, and Jericho and Jordan.

Israeli forces will withdraw outside populated areas in the rest of the territories by the eve of Palestinian elections.

Article III of the DOP on elections says direct, free and general elections will be held for a Palestinian Council not later than nine months after the DOP comes into force. Until the elections and the inauguration of the council, Israel will transfer powers to "authorised" Palestinians.

The powers transferred to Palestinians will be in education, culture, health, social welfare, direct taxation and tourism, and the Palestinian authority will immediately start to build a Palestinian police force.

Article VII says an "Interim Agreement" will specify the structure of the council, the number of its mem-

bers, the transfer of powers, and the extent of the executive and legislative authority of the council and a Palestinian judiciary.

To promote economic growth the council, upon inauguration, will immediately establish a Palestinian electricity authority, a Gaza Sea port authority, a Palestinian development bank, a Palestinian export promotion board, a Palestinian environmental authority, a Palestinian land authority and a Palestinian water administration authority.

After the inauguration of the council, the civil administration will be dissolved and the Israeli military government will be withdrawn.

A second protocol, provided for in Annex I of the DOP, will have to be signed on the "mode and conditions of elections". The annex says Palestinians of Jerusalem who live there will have the right to participate in the elections process. It does not say whether they will be able to stand in elections - a key PLO demand. The

annex says the elections protocol will specify the system of elections; agreed supervision and international observation and rules regarding the election campaign and the mass media, including the possibility of licensing a broadcasting and television station.

Article X provides for a joint Israeli-Palestinian liaison committee to ensure smooth implementation of the DOP and the resolution of disputes between the two sides. Disputes which cannot be settled through the liaison committee will be submitted to an agreed process of conciliation and arbitration. Article XI provides for the immediate establishment of Israeli-Palestinian economic co-operation committee.

Article XII says Jordan and Egypt will be invited to join joint Israeli-Palestinian liaison and co-operation committees, including one to "decide the modalities of admission of persons displaced from the West Bank and Gaza Strip in 1967".

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Hopes of finding joint choice
to run for president collapse

Bonn parties choose their candidates

By Judy Dempsey in Berlin

HOPES that Germany's three main political parties would agree on a presidential candidate will collapse today when the governing Christian Democratic Union and the opposition Social Democratic party nominate their own candidates.

But Mr Richard von Weizsäcker, the outgoing president, said the dispute over his successor, and the presidential office itself, was being used by the political parties in the run-up to next year's federal elections.

Chancellor Helmut Kohl will ask his CDU party conference in Berlin to endorse Mr Steffen Heitmann, the justice minister of the eastern state of Saxony. The choice of Mr Heitmann, 49, reflects Mr Kohl's determination to have as president an easterner, as well as someone who reflects conservative values aimed at attracting the hard-right wing of the CDU.

Mr Heitmann has repeatedly stressed the importance of the role of the nation, security, and a return to traditional family values as a means of consolidating unification. Mr Heitmann was active in the Lutheran church, a focal point of the opposition under communist regimes, and is also seen by Mr Kohl as a man who embodies resistance and integrity, as if to compensate for the weak German resistance during the Nazi period.

IG Metall plans its pay target

GERMANY'S engineering workers will be calling for a wage rise next year limited to the rate of inflation, plus any increase in productivity, according to Mr Klaus Zwickel, acting leader of IG Metall, the country's largest trade union, Quentin Peel writes.

The move is seen as a clear indication by the union of the need for wage restraint because of the downturn in the German economy. But it still falls well short of the employers' insistence on a "zero round" in next year's most important wage round.

The first indication of the union's position - without any precise figures for either its inflation or productivity estimates - was presented by Mr Zwickel in Frankfurt as a "peace offering" intended to take the heat out of the coming

pay talks. Formal wage demands have to be drawn up by the end of November.

At the same time, he called for a joint initiative by both workers and employers in the engineering industry, the sector of the German economy hit hardest by the recession, to demand new government initiatives to counteract rising unemployment, including an accelerated programme of infrastructural investment in east Germany.

His plea met a sceptical response from Gesamtmetall, the engineering employers' federation. A spokesman said the industry needed a freeze on costs in the coming year. He said IG Metall still failed to recognise that German wage costs were too high and undermined German competitiveness.

However, they are likely to be encouraged in their own bid for the venture by the recent rapid growth of the motor components industry in Wales and the success of German motor components giant Robert Bosch in establishing a £100m (\$154m) components manufacturing centre in South Wales, and that of Toyota, whose £140m engine plant at Deeside in north Wales has just begun component exports to Japan as well as supplying engines to Toyota's car plant at Burnaston in Derbyshire.

That the Mercedes assessment process is still at a very early stage was indicated by apparent surprise in both Paris and Prague that the project might be up for grabs. "German companies have a strategic interest in the Czech Republic generally, but I have not heard of any discussions on this specific project," a senior Czech official said.

It would not be the first time Mercedes has examined the Czech Republic as a possible production site. It discussed a possible \$250m joint venture with two Czech truck makers earlier this year, but the talks broke down in March.

Spain is likely to be concerned it is not to be included in the short-list. Its low labour costs have attracted significant German and Japanese motor industry investment in recent years. However, it has been jolted by warnings from Nissan that its operations need to make sharp productivity and quality improvements.

German health spending winding down

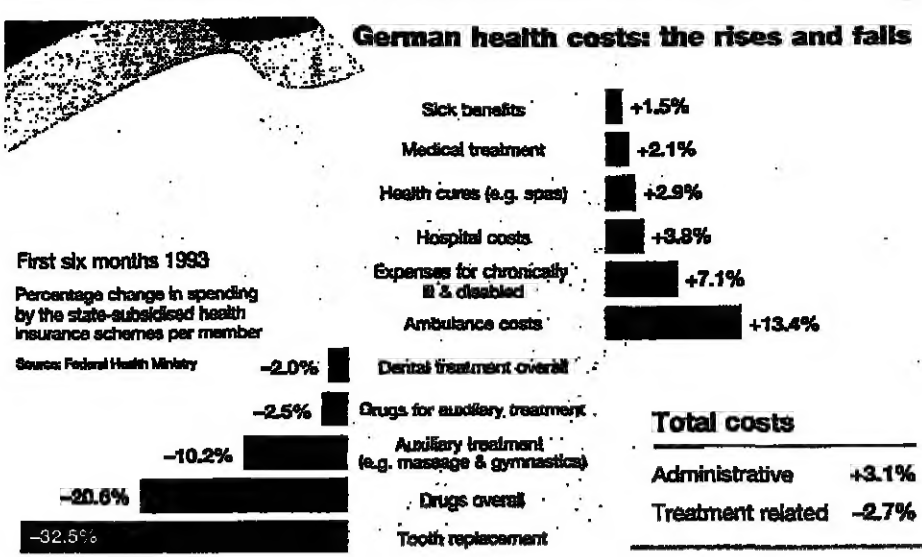
MR Horst Seehofer, Germany's federal health minister, bore a radiant face when he recently announced that his six-month-old reforms had already reversed the insidious trend of seemingly ever-higher health spending. His smile was an achievement in itself for a man who has made enemies across the German medical profession and pharmaceutical industry.

The state-subsidised health insurance scheme, which offers nearly full health cover to 90 per cent of the population, reported a healthy surplus of DM2.8bn (\$1.8bn) for the period, after a DM9bn loss in 1992. Per-member treatment-related spending has decreased by 2.7 per cent since reforms took effect on January 1, after a 9 per cent increase last year.

Spending dropped as a result of severe budgetary restrictions under the reforms for drugs and treatments. In answer to these, the medical profession prescribed less than in previous years. "We have succeeded in changing the behaviour of everyone involved in the healthcare system," Mr Seehofer said.

Some members of the medical profession welcome the change. "A patient in Germany would never leave his doctor without a prescription before," says Mr Frank Montgomery, from an independent association of doctors.

Ariane Genillard sees insurance reforms working



But the reforms have also sparked bitter complaints from doctors and the drugs industry.

Both groups have seen their revenues decline as a result of the ceilings on their fees and say the reforms could undermine the ability of the system to continue to provide state-of-the-art drugs and treatments.

According to pharmaceutical associations, the budget ceilings are threatening 20,000 jobs in pharmacies.

Dentists say they are increasingly refusing to treat non-privately insured patients

because lower fees do not cover costs.

To cap the rising spending borne by the insurance scheme, which is compulsory only for those who earn less than DM6,000 a month, the reforms introduced budgetary ceilings equal to 1991 levels of expenditure plus a marginal increase reflecting the yearly average growth in personal income. Heavy financial penalties are incurred if these ceilings are exceeded.

For drugs sold in pharmacies, spending covered by the

health scheme has been limited to DM24bn for the year.

Physicians and dentists prescribing over this limit are legally obliged to pay up to DM280m a year (estimated to be 1 per cent of annual doctors' fees) from their own pockets.

Their medical associations will be charged with examining individual cases of over-prescribing and will impose fees to cover this amount. The pharmaceutical industry must pay the costs of the next DM280m tranche of over-spending to the insurance schemes.

For treatments, doctors and dentists' fees will be automatically reduced if doctors over-prescribe, and hospitals will have to open credits to cover over-spending rather than charge the insurance scheme.

The results of the reforms have been immediate. Prescriptions decreased sharply in the first six months. Mr Seehofer hopes the insurance schemes will save up to DM7bn this year in non-prescribed medicines and treatments.

However, retail sales in pharmacies have fallen by 21 per cent for the half year, with pharmacists bitterly protesting. They say their profits could fall by 32 per cent this year.

While doctors agree that the budgets for medicines are cutting excessive over-prescriptions, they say the ceilings could undermine their own budgeting. With declining profit margins, they fear that lack of investment will undermine the quality of services.

"The reforms are purely monetary and do not address structural change," says Mr Montgomery. "They are in fact destroying existing healthcare structures without creating viable new ones."

Dentists are angered by a series of fees reductions forced on them. These include a 10 per cent price reduction on crown and bridge work, areas

where dentists earn most of their income.

Sales in the pharmaceutical industry fell by 11 per cent from January to June. Moreover, the market share between original products and cheaper generic medicines has changed to the detriment of companies investing in research. Sales of generic medicines rose by 12 per cent in the six months.

Mr Walter Wenninger, head of the healthcare division of Bayer, predicts that sales for pharmaceutical groups could drop by 35 per cent this year and says the reforms clash with the government's aim of securing Germany as a competitive industrial base.

The medical profession and the industry say further reforms are needed to improve the structures of the healthcare system. They say administrative costs, which have been rising, could be brought under control if more efficiency was introduced in running the system.

The medical profession also advocates greater participation by the patient in the final health bill. German patients, accustomed to cheap healthcare, must develop an awareness of its cost, they say. Above all, they fear a victorious health minister will increase budgetary restrictions next year or bring in new ones, further threatening revenues and incomes.

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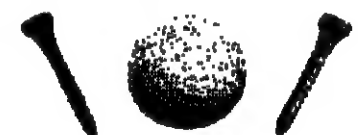
And while Jesper and Greg were taking the Opens to the cleaners, Hugh and Alistair were taking around 300 cleaners to the Opens. They also took 400 plastic wheelie bins, several trucks,

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NEWS: INTERNATIONAL

EC near deal on protecting bank deposits

By Lionel Barber in Lisbon

EC FINANCE ministers are poised to override German objections and strike a deal today on a new Community-wide bank deposit guarantee scheme.

Agreement on the EC bank deposit directive would raise the level of minimum protection to Ecu20,000 (£15,240), paving the way for similar arrangements to raise cover for investors in stocks and shares. EC officials believe a qualified majority vote in favour of the bank deposit scheme will be the most concrete result of today's meeting in Brussels. Finance ministers will discuss the recent upheaval in the ERM over lunch, but Brussels diplomats said no decisions are expected.

"We are still very much on first reactions," said one official.

The new EC bank directive covers deposits in EC banks denominated in EC currencies and Ecu. Member states would be free to oblige third-country banks to join the scheme, marking a further step towards completing the single European market.

Germany is expected to oppose the bank deposit guarantee proposals on the grounds that a Community-wide approach could undermine its own scheme which offers virtually unlimited protection to account-holders in the event of a bank defaulting.

Germany is worried that its own privately-managed scheme would be more difficult to

supervise if it is obliged to accept members from third countries.

Also, German bank branches operating overseas would not be able to benefit from lower standards in other countries because the directive applies only to "topping up" and not lowering protection.

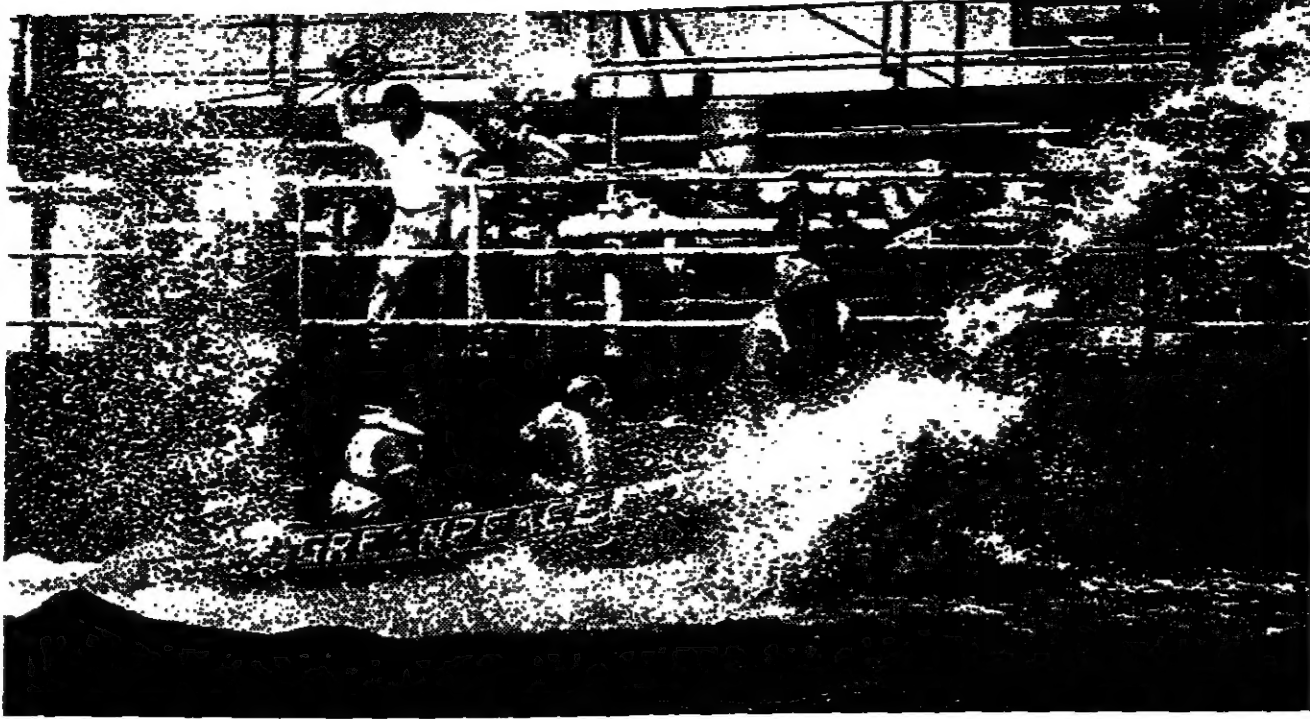
For the UK, the scheme would raise the level of protection. Under present law, investors are offered 75 per cent protection on the first Ecu20,000 of deposits but only on sterling deposits.

Under the latest proposals from the Belgian presidency, the EC would require banks to raise protection to 90 per cent on the first Ecu20,000 with a five-year transition period.

The directive does not specify whether member states should introduce a public or private guarantee scheme. But it stipulates that banks must inform depositors on the level of protection.

Finance ministers are today likely to give a cool reception to two European Commission proposals aimed at boosting the EC's growth initiative. One plan to allow the European Investment Bank to offer interest rate subsidies to medium and small businesses is "virtually dead," according to one UK official.

Member states are also sceptical about a plan to allow up to Ecu5bn of Community borrowing against future EC structural funds, on the grounds that it looks like deficit financing at a time of supposed budget austerity.



GREENPEACE activists in a dinghy pull up yesterday alongside the Italian freighter Diego in a protest against its chlorine cargo. Greenpeace said pollution from some 60 factories making chlorine around the Mediterranean were contaminating the sea.

Judges 'plotted against Gardini'

INVESTIGATIONS into Italy's political corruption scandal could take a new turn this week following testimony claiming Mr Enzo Gardini, the entrepreneur who killed himself in July, was the victim of a plot between politicians and corrupt judges, writes Haig Simonian in Milan.

Mr Sergio Cusani, a financial intermediary who acted as go-between for Mr Gardini's Montedison group at the time of the Enimont chemicals joint venture with the state-owned Eni energy and chemicals concern, has allegedly accused Eni's then-management of colluding with Mr Diego Curto, a senior Milan judge.

Mr Curto, arrested earlier this month, was responsible for the controversial November 1990 ruling to freeze Eni's and Montedison's shares in Enimont at a crucial stage in

the battle for control of the public-private joint venture.

The new allegations were made in a leaked 14-page document by Mr Cusani, in jail in Milan, to magistrates investigating Mr Curto on corruption charges. According to the leaks, Mr Cusani claims the decision to freeze the Enimont shares was made in collaboration with Eni and senior politicians to force Mr Gardini to sell out.

A number of former Montedison executives now under investigation have claimed the share freeze was a deliberate signal to Mr Gardini from Italy's main political parties that his ambitions would be thwarted and that the only way to unblock the situation was to arrange a deal with Eni. Until then, Mr Gardini had waged a campaign to win control of the joint venture.

Russians welcome German business invasion

John Lloyd on a new spirit of co-operation between the two nations on the enterprise front

THE IRONIES never absent when Germans meet Russians on their own soil were on full display in Nizhny Novgorod this week when delegations of German businessmen and politicians came to Russia's most market-oriented region to advise, to learn and to do business.

Mr Heinz Rhunau, former chairman of Lufthansa and now deeply engaged in assistance to the Nizhny region, says that "I am happy that I can come here and talk to him (embracing his translator) without a rifle in my hand". Outside the administration

building where he has been meeting the region's leaders, a war memorial exhorts - "Comrades, remember the life of those who left us, they fell for honour and freedom, for the motherland. Think on this down the centuries, as you walk beside them."

Mr Rhunau, of an age to have fought in that conflict, now advises the West Deutsche Landesbank and the government of North Rhine-Westphalia in its work with Nizhny: the region is steadily strengthening its links with the German state. Giving a fulsome toast on Thursday night, Mr

Boris Nemtsov, the young governor of the region famous for his - increasingly unusual - pro-market views, said that "we have signed protocols on 25 different deals with North Rhine-Westphalia, and 25 of them are being fulfilled."

Mr Rhunau lighted on Nizhny because (he counts off the reasons): "One, excellent production equipment; two, highly educated workers; three, a high social sense - people here are disciplined; and four, the leadership here are the Russians of tomorrow."

Mr Nemtsov and his colleagues may be Russians of

tomorrow: but distinguished Russians of the past head the local economy which is heavily biased towards defence production. Indeed, as Mr Rhunau and his team negotiated with Mr Nemtsov, an aspland-filled of tanks, guns, military vehicles and MiGs were presented for show in Nizhny's second defence fair - as local cash-strapped industries tempt domestic and foreign buyers to arm themselves better.

The man whose plants make these and other products (such as the Volga car) are at best sceptical of the market. A German-Russian seminar on military conversion last week was a rehearsal of positions - the Germans stressing the need for market knowledge and company-level initiative, the Russians talking of their ability to switch production rapidly to produce goods for an empty, indiscriminating market.

"Why has there not been a catastrophe here when the state slashed military spending last year?" asks Mr Vladimir Luzanin, general director of the Hydromash engineering

plant. "Because in the 1970s we had already been directed to devote part of our production to consumer goods. So for most of us, it was a matter of increasing that proportion. We did it in 18 months."

Mr Luzanin and his colleagues do not want joint ventures with foreign companies. He wants to trade. "We have orders to make parts for the Airbus," he says. "And for other western companies. We do all this. Now. With some more money we will do better, by ourselves."

Mr Yuri Sedakov, head of the NIIS plant which makes printed circuit boards and production equipment, has, he says, got exemption from privatisation and taken his enterprise under control of the Ministry of Atomic Energy because "we have a unique range of equipment here, a unique technology - we cannot allow it into the hands of those who might neglect it."

Perhaps they are wrong to be so dismissive. At the military hardware exhibition, Mr Karl Heinz Kleidzinski, a social

democrat member of the Bundestag, a former (peacetime) fighter pilot and defence expert, kicks the tyres on a howitzer and notes that its range is 24kms. "It is not competitive. The howitzers in the west have a range of 30kms: it could be destroyed while getting into range."

The Mig 29 is made in Nizhny: one stands on the aspland, guards handing children into the cockpit as Russians and foreigners view what three years ago was shrouded behind hangars in a city which itself had been closed until the end of the eighties.

Yet these "red directors" are the flower of the Soviet crop - commanding, highly educated, devoted to their enterprises. They like neither the chaos of the "market" nor privatisation but insist they can run their enterprises for the benefit of the country they have served. After six years of Gorbachev, two of Yeltsin, industrial leaders in Russia's most market-oriented region remain what they have always been.



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Nato plans 50,000 Bosnia deployment

By Lionel Barber in Bilzen

NATO is developing a plan to send about 50,000 peacekeeping troops to Bosnia, up to half of them Americans, if agreement is reached to end the civil war, Mr Les Aspin, the US defence secretary, said yesterday.

At a meeting in Brussels before flying to Rome to discuss the proposal with US military officials, Mr Aspin confirmed for the first time the number involved but said the US Congress was likely to veto American participation unless European allies provided half the troops.

"We are talking overall numbers of around 50,000 total - that would be US and western allies," Mr Aspin told a meeting of the International Institute of Strategic Studies (IISS) in Brussels.

Separately, Germany is lobbying to appoint a German national to head a European Community team to restore order to the ruined Bosnian town of Mostar, in the event of a peace deal between Muslims, Croats and Serbs in the Bosnian conflict.

German officials confirmed the Bonn government's interest in taking a high profile administration role in Mostar

if the warring parties resolved their differences in peace talks in Geneva. "It would be one of the first examples of a common European security and foreign policy," said one.

Germany's ambiguous constitutional restrictions on the deployment of military force overseas and its involvement

Congress is likely to veto US participation unless European allies provide half the troops

in atrocities in Yugoslavia in the second world war makes it impossible for Germany to take part in a UN/Nato peacekeeping force in Bosnia.

Appointment of a German national to help restore basic facilities in Mostar would show the Bonn government is anxious to "do its bit" in former Yugoslavia, an EC official said.

Lord Owen, EC negotiator, suggested during an upbeat presentation on Saturday to EC foreign ministers meeting in eastern Belgium that an

agreement might only be weeks away. But this depended on all three parties showing flexibility and he was not yet ready to reconvene peace talks.

Talks are focusing on encouraging the Croats to guarantee Bosnian Muslims access to the Adriatic Sea.

Ministers are also trying to persuade the Serbs to open up safe corridors between Bosnian-held territory. It is understood Greece is being used as an intermediary, passing the message that Serb concessions would lead to a swift lifting of EC sanctions.

● In Zagreb the Croatian news agency said Croatian President Franjo Tudjman yesterday ordered a ceasefire in Croatia and told troops not to respond to Serb provocations.

Mr Tudjman told a meeting of Croatia's defence council that he wanted the ceasefire to be respected within the next 24 hours to enable a truce to be reached with Serbs, the president's office said.

Serbs and Croats fought a bloody war in 1991 after Croatia declared independence from Yugoslavia. A UN-brokered ceasefire agreement in 1992 failed to prevent sporadic fighting re-erupting last week.

Rearguard fight over Polish sell-offs

Christopher Bobinski on attempts to discredit policy ahead of next week's elections



Polish elections

PRIVATISATION is a controversial issue in the Polish election campaign and Mr Janusz Lewandowski, Poland's privatisation minister, knows he is fighting a rearguard action in the run-up to voting on September 19.

Opinion polls show his pro-privatisation Liberal Democratic Congress (KLD) party, which played a key role in several post-communist governments, could fail to win the 5 per cent of votes needed to enter parliament.

Mr Lewandowski, a 42-year-old economist, is under attack from left wing and populist rivals anxious to discredit the KLD's privatisation record. On the campaign trail in Poznan province in western Poland he described himself as the most controversial minister in the government.

"I feel like a bomb disposal specialist," he said, aware that almost every decision he takes could blow up in his face. "It would be safest to do nothing," he said at meetings last week, "but then many of the companies which only exist because they were privatised would have disappeared long ago".

The attacks, which Mr Lewandowski labelled as "a pack of lies of Himalayan proportions," relate to his ministry's efforts to privatise more than a quarter of the nearly 8,500 state sector enterprises and the sale to foreign and domestic investors of 76 former state-owned companies.

Formal privatisation remains bogged down by bureaucratic and political obstacles, but the explosive growth of new private companies means that more than half the Polish workforce in employment now has jobs in the private sector.

Mr Lewandowski's main aim after the election is to press ahead with a mass privatisation scheme (MPP) involving the sale of shares, at a nominal charge, in more than 400 state-sector companies, to be managed by western-style investment funds with western managers.

Critics of the MPP have found ammunition in reports prepared by the Supreme Chamber of Control (NIK), an official audit body which has faulted the procedures followed in the privatisation of more than 60 plants.

Mr Lewandowski pointed out that the NIK was set up to assess a completely different economic system. "Most of the criticism dates back to 1991 when we at the ministry were

learning to privatise and NIK was learning how to conduct inquiries in new conditions."

But the pressure from NIK is one of the reasons why privatisation is so slow. "I look at each deal as it would be viewed by a NIK controller," he told employees and management during an electoral meeting at Poznań, a Poznań state-owned meat works which has been trying to join the private sector since 1989.

'I'm standing here because I do a difficult job which needs to be understood'

Everyone at the plant wants the minister to move ahead as quickly as possible in order to face the challenge from long-established private-sector meat processors in the area.

The hitch is that the former owners of one of the production units have laid a claim for compensation and some equity has to be set aside in case the claim is justified.

Shares at a discount are also due by law to be sold to farmers who supply meat to the works, although the bulk of Poznań's suppliers were state

farms now in their death throes.

"The farmers won't buy the shares but we have to make provision for them," Mr Lewandowski patiently explained last week in the century-old plant's assembly hall.

Poznań prides itself on its traditions of order, hard work and reliability, and Mr Lewandowski is hoping these will favour his cause. In 1991 the KLD won a mere 7 per cent of the national vote, but 13 per cent in Poznań. "I'm standing here because I do a difficult job which needs to be understood and people here have a better feel for economics than elsewhere," he told a sparsely attended election meeting at Szamotuły, north west of Poznań.

Mr Lewandowski is taking no chances with a potentially explosive decision over the future of a local company, the Gopiana confectionery plant.

Gopiana, with 10 per cent of the domestic market, has been working for more than two years towards a merger with S D and F Man, the sugar and cocoa brokers, and Elite Industries, an Israeli chocolate and food processor. Man, which says it will invest \$37.5m (\$24.3m) in the plant has been challenged by Nestlé, which has offered to pay the Treasury \$40m for control of the com-

pany and invest a further \$30m. "This is a conflict between the head and the heart," Mr Lewandowski said, adding he would visit the plant before deciding what to do, but "not just yet". Whatever he decides, however, he knows he will be criticised.

"If I go with Man I will be attacked for failing to secure budget revenues. If we sell to Nestlé there will be hell to pay locally," he mused.

The atmosphere is calmer at Metalplast, a metal panels producer established in the 1970s to build the new factories put up under the western-financed investment boom.

Over the past four years Metalplast has started to provide commercial rather than industrial buildings. It ended last year with a 350n zlotys (\$1.2m) net profit and has voted to enter the MPP.

But even here, where unemployment is low, the doubts linger. "We went into the programme because the employees are keen to get the 15 per cent of the equity that entry will give them, and we need a modernisation loan," said Mr Marek Szczesny, managing director. "But we worry that the foreign fund managers will start reorganising just when we have got everything going properly."

Socialist victory will hit economy, says Mitsotakis

By Karin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, kicked off his re-election campaign at the weekend by warning that the economy would face serious problems if the Panhellenic Socialist Movement (Pasok) came to power.

Mr Mitsotakis, whose government was toppled last week by defections from his New Democracy party, also claimed the socialists' pledge to call off the privatisation programme would disrupt Greece's bid to achieve economic convergence with its EC partners.

"There will be a new hemorrhage of deficits. The Greek people will be called on to pay out a huge amount if privatisation is abandoned," he told an audience of Greek businessmen in Thessaloniki.

Whatever the outcome of the October 10 election, called seven months before the expiry of the conservatives' mandate, delays in revenue raising can be expected. Budget projections for 1993, the first year of Greece's five-year convergence plan, include at least Dr330bn (\$330m) in privatisation revenues.

Nevertheless, Pasok's intention of cancelling negotiations for the sale of public utilities and rolling back recent legislation permitting private operators to build and run power plants



Mitsotakis: toppled last week

would damage chances of attracting investment.

Mr Mitsotakis also warned that any serious deviation from the convergence targets, which include reducing government borrowing from 9.8 per cent of gross domestic product in 1992 to 0.7 per cent in 1998 and halving the public debt, would mean that transfers from EC structural funds would be held back.

Greece's current account deficit is held at manageable levels by steadily rising EC transfers, with up to Ecu20bn (\$15.24bn) due to be disbursed in the next five years.

The conservatives, their popularity eroded by a three-year decline in real incomes and rising unemployment, are well aware they will have an uphill struggle to stay in power.

Samaras targets centrist and rightwing voters

In a country where the leaders of both major political parties are in their mid-70s, younger Greek politicians inevitably feel a sense of frustration, writes Karin Hope.

Mr Antonis Samaras, 42-year-old former foreign minister who brought down the New Democracy government last week, is no exception.

Yet Mr Samaras, leader of Political Spring, a new party which hopes to attract discon-

ted centrist and rightwing voters in the October 10 election, may have got both his timing and his policies wrong.

One former cabinet minister said: "All he had to do was be patient and the New Democracy leadership would have dropped into his lap."

As Greece's youngest foreign minister in memory, Mr Samaras was expected to carry out instructions of Mr Constantine Mitsotakis, prime minister, and use his charm to improve Greece's image with its European Community partners.

But Mr Samaras opposed the prime minister's policy of compromise over recognising the former Yugoslav republic of Macedonia. He was sacked in spring 1992 after proposing Greece close the border with Macedonia to pressure it into changing its name.

The contradiction between Mr Samaras's efforts to present Political Spring as the party that can rejuvenate Greek political life and his old-fashioned nationalist views will not be lost on voters. Greek businessmen, anxious to see the departure of the old political leaders wonder whether Mr Samaras, a graduate of Harvard business school, can be serious about opposing the government's privatisation policy.

Analysts expect Political Spring will win between up to six per cent of the vote, enough to spoil Mr Mitsotakis's chances of returning to power. Although Mr Samaras is likely to keep his parliamentary seat in Messenia in southern Greece, he would be accused by conservatives of handing victory to the socialists. As a result, his political future may be just as uncertain as that of Mr Mitsotakis.



Samaras: opposes privatisation

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As Greece's youngest foreign minister in memory, Mr Sam-



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- Was named 1992 Merchant Bank of the Year by *Asia Money & Finance*, December 1992/January 1993
- Was voted Most Successful Capital Markets House of the Decade, *International Financing Review*

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NEWS: INTERNATIONAL

Ex-Wardley head faces bribe charges

By Simon Davies
in Hong Kong and Peter John
in London

MR SWAN LAUNDER, the former head of Hong Kong and Shanghai Banking's merchant banking arm, Wardley, who was arrested on Friday in connection with the collapse of the Carrian empire in 1983, is expected to appear as a key witness in the trial of Carrian's chairman, Mr George Tan.

Mr Launder is considered the front-man for Hong Kong Bank's substantial dealings with the group.

Scotland Yard yesterday confirmed Mr Launder was arrested by officers attached to the internationally organised crime branch. He was seized on Friday at the request of Hong Kong police as he flew into Heathrow.

Mr Launder appeared in Bow Street magistrate's court on Saturday, and is facing extradition to Hong Kong on charges of accepting HK\$45m (£3.8m) in personal bribes from Carrian group companies. He was remanded in custody at Brixton jail until Friday.

The arrest follows last month's return to the UK by Mr Lorrain Osman, who had been expected to play the role of key witness in the continuing investigations into Mr Tan.

Mr Osman's return, after 15 charges against him were dropped, had led to the expectation that the Carrian affair, Hong Kong's most notorious corporate scandal, was finally drawing to a close.

Carrian was formed from a

shell listed company in 1979, and emerged as a massive property investor in the early 1980s. Wardley acted as financial adviser and financier from the outset. Carrian collapsed in 1983 with estimated debts of more than HK\$100m, and Mr Launder left Wardley in the same year.

The case has cost Hong Kong taxpayers more than HK\$100m, but there is little sense there that justice has been done.

Mr Tan, his right-hand man Bentley Ho, and two partners of Price Waterhouse - Carrian's accountants - faced criminal charges, but were let off in 1987.

Further controversy came with the murder of a Malaysian investigator into the scandal and with the suicide in 1984 of an eminent lawyer, connected with Carrian, who was found at the bottom of a swimming pool.

Despite the close connections with Wardley and Hong Kong Bank - the bank's former chairman Sir Michael Sandberg invited Mr Tan to his box at the races, and was said to have blocked opposition to Carrian loans - Mr Launder is the first HSBC official to face charges concerning the Carrian collapse.

In 1983, Mr Stewart Turner, a former employee of Barclays Asia, was found guilty of accepting bribes in relation to a loan given to Carrian. Mr Osman also pleaded guilty of defrauding Bumiputra Malaysia Finance Corporation by authorising loans to a company controlled by Mr Tan.

Clinton still requires a winning Nafta vision

Nancy Dunne reports on the president's uphill battle to win the hearts of Congress

PRESIDENT Clinton tomorrow formally launches his uphill battle to make the North American Free Trade Agreement acceptable to a dubious US Congress. With ex-presidents Bush, Carter and Ford expected at the White House for a Rose Garden ceremony, Mr Clinton will sign the supplemental agreements on labour, environment and import surges negotiated over seven months with Canada and Mexico.

The White House is also hoping to acquire the salesmanship skills of Mr Lee Iacocca, former head of Chrysler and a politician notable enough to challenge Mr Ross Perot, leader of the strong Nafta opposition.

There is now a determination in the White House to portray the pact, along with its side agreements, as

"Clinton's Nafta" and therefore one which should be more acceptable to labour and environmentalists. However, if the side pacts have won any adherents, they have yet to announce their conversion.

As is usual with trade issues, the spotlight is on Mr Richard Gephardt, the House majority leader, whose backing is seen as key to Nafta's passage in the House. Mr Gephardt leaves a tantalising opening in his current insistence that he cannot support the pact - as it stands.

Mr Gephardt has been demanding for a long time a fixed funding source, dedicated to pay for environmental clean-ups at the US-Mexican border and for worker retraining. An outline of the financing plans may be released tomorrow.

The administration plans to propose a scaled down version of a North American Development Bank. However, this could be expanded by Congress, where there is support for an institution capable also of also start-up business loans in districts threatened by job losses.

Currently, the proposal is to limit the Nafta bank to environmental projects at the border and to locate it within the Inter-American Development Bank. However, Congressional supporters of a larger bank may well prevail when the plan gets to Capitol Hill.

It has been suggested that Mr Gephardt might find acceptable a cross-border tax which would provide the embryonic funding for a Nafta bank. The tax would be "finite" - in place

only until it raised the \$600m (\$390m) currently envisaged from the US and Mexico for paid in capital - which may make it acceptable to the business lobby.

Vice President Al Gore yesterday suggested that the implementation of Nafta may be delayed beyond its scheduled launch on January 1 1994. He acknowledged that the vote may not come until early next year, but scoffed at press reports that the administration is backing away from the controversial agreement.

The White House has established a Nafta "war room", reminiscent of the quick-response team which won high praise for its wit and speed in last year's presidential campaign. Nafta captains are in place - Mr Bill Daley, an accomplished Democratic back-

room deal-maker, and Mr Bill Frenzel, a former Minnesota Republican congressman - although neither has been visible much in public.

Mr Clinton's lack of enthusiasm in defending Nafta has fuelled doubts about his commitment to the cause. He has seemed remote from the fray, unable to inspire the public and unwilling to home market with more jobs to gain than to lose.

He can hardly be pleased about the rift it is creating between the moderate and liberal wings of the Democratic party.

Reports that the White House is backing away from Nafta have "enraged" the White House. One jubilant official said: "The political will is there; the fight is now starting."

India to probe car bombs

By Shiraz Siddiqui in New Delhi

A SPECIAL team has been set up by the Indian government, involving the Home Office and official investigative agencies, to investigate the car bombs outside the Youth Congress (I) office in Delhi's high security zone which killed eight people and injured at least 40 others on Saturday.

The police said yesterday that initial investigations have revealed the involvement of Punjab terrorist groups.

Mr Maninderjit Singh Bitta, the Youth Congress (I) president, whom police suspect was the target of the attack, escaped with minor injuries. Mr Bitta's car was leaving the gate of his office when two powerful bombs went off.

Meanwhile, the four main leaders of the Hindu revivalist Bharatiya Janata party are campaigning nationally against government plans to legislate a separation of religion and politics ahead of elections in four states due by December.

Bharat Singh Shekhawat, sacked former chief minister of Rajasthan, is pictured waving during a campaign rally in Jammu over the weekend.



Last try for power by former Thai PM

By William Barnes in Bangkok

THE FORMER Thai prime minister, Mr Chatichai Choonhavan, showed he has lost none of his flair for the unexpected by announcing the creation of a 90-seat party late on Friday night.

However, the merger of four opposition parties with a party in the ruling coalition government appeared to have already run into trouble yesterday as key members of Mr Chatichai's party angrily rejected the scheme.

The initiative is widely seen as the ageing disco-loving Chatichai's last desperate tilt at the premiership, risking severe damage to his own Chart Pattana (National Development) party for the sake of inconveniencing the government.

"Chatichai knows that at his age he can't wait two or three years for the next election - but this smacks of desperation," said the political analyst of a western embassy.

The 73-year-old Mr Chatichai - who was ousted by a military junta in February 1991 - has endured a year in opposition without being able to seriously trouble the five-party coalition government despite repeated criticism of prime minister Mr Chuan Leekpai for cautious and lacklustre leadership.

The new 90-seat strong political party is supposed to take over the name of the current Social Action party which seems certain to be kicked out of the ruling coalition.

The 21-member strong Social Action party was only brought into the coalition to shore up the thin five-seat majority of the four "angelic" parties who opposed a military junta's domination of politics and subsequently won last September's pivotal general election.

Brazil party plays for time on Franco

By Angus Foster in Brasilia

BRAZIL'S largest political party has postponed until September 21 its decision on whether to break with the government of President Itamar Franco.

The Party of the Brazilian Democratic Movement (PMDB), which held its national convention yesterday, decided on the postponement to win more time for both sides to solve their disagreements, which include personal and policy differences.

Mr Luiz Antonio Fleury Filho, governor of São Paulo, Brazil's richest state, is leading a small but powerful group of party leaders who are critical of the president and his government. They also fear the

PMDB will suffer in presidential and congressional elections next year if the party remains linked to President Itamar's unpopular government.

Another wing of the party, probably in the majority, is afraid that breaking with the government would throw Brazil into crisis. The PMDB guarantees the government's majority in Congress and a withdrawal of support would put in doubt reviews of the constitution and fiscal reform due to start later this year.

Another reason for the PMDB's delay was concern that Mr Fernando Henrique Cardoso, finance minister, was preparing an economic "shock" plan to tackle inflation, running at an annual 2,000 per cent.

Tokyo to unveil fresh emergency package

By William Dawkins in Tokyo

THE NEW Japanese government is expected on Thursday to unveil an emergency economic stimulation package worth up to ¥5,000bn (¥30.7bn), officials said over the weekend.

This will be the second such package this year after a ¥13,200bn public spending plan adopted by the former LDP government last April.

It marks the depth of concern in the one-month-old coalition at the unexpected length of the economic slowdown, highlighted last Friday with the

publication of the Bank of Japan's latest survey on business confidence. Manufacturing industry was at its gloomiest for 18 years, since the aftermath of the first oil price shock, and there was no immediate sign of an upturn, said the survey.

The new stimulus package will

include cash for improvements to Japan's heavily loaded infrastructure, a ¥2,000bn increase in public housing loans, ¥1,000bn of aid to small business, and ¥1,000bn spending on social projects such as urban improvements for the elderly, according to Japanese press reports. This will be funded by a supple-

mentary budget, to be presented to parliament in November, officials were quoted as saying.

The package will also include details of the government's drive to curb business regulations and to pass on the benefits of the yen's strength to consumers in the form of lower prices.

Details will be studied closely by financial markets, eager to see how the government of Mr Morihiro Hosokawa plans to fight off recession. It will also be watched by the US, keen to see evidence that Tokyo is working hard to stimulate import demand.

Structural barriers to eastward enlargement

THE COMBINATION of Europe's deepening recession and the collapse of the hard version of the exchange rate mechanism in July appear effectively to have placed the final nail in the coffin of the Maastricht treaty. Europe badly needs to take a new economic direction, but no one seems to know what it should be.

But there is one option which most EC member countries appear determined to rule out: enlargement to the east. A senior diplomat from one of the EC's largest southern European member countries, the United Kingdom, told the Maastricht timetable for monetary union was impossible but that his country had no option but to try to stick to it. As for switching the agenda from monetary deepening to membership widening, his response was an emphatic No.

At first sight, the reason for this adamant opposition to eastward enlargement seems obvious. Poland, the Czech Republic and Hungary are all endowed with cheap and relatively skilled labour. They thus seem to pose a threat to industrial compet-

itiveness in Spain, Greece, Portugal and Ireland, especially if the potentially highly restrictive east European Association Agreements were to be replaced by full membership of the Single Market.

But the view that the southern European countries stand to be hurt more if trade with the east is liberalised is misconceived, as the European Commission has highlighted in a recent study. In fact, the research, conducted by National Economic Research Associates, the London-based consultancy, finds that the Community's "lagging" regions (Greece, Portugal, the Irish republic, northern Ireland, southern Italy and most of Spain) stand to gain most from successful reform in eastern Europe and the former Soviet Union.

In the short-term, the Commission report estimates that the EC area would be a net loser from open trade if reforms succeeded, although the fall in output would be a tiny 0.2 per cent. As east European imports of manufactures and agricultural goods grew, so the net impact of open manufacturing trade would turn pos-

itive, and outweigh agricultural losses. By the year 2010, the report estimates total EC output would have risen 0.8 per cent.

But the poorer, lagging regions are net beneficiaries from the beginning, with Greece, southern Italy and Spain reaping most of the benefits. Output is projected to rise for all the main categories of manufactures in the lagging regions, with the exception of iron and steel. And the projected gains in manufacturing output are substantial - 0.4 per cent by 1995 and 2.2 per cent by 2010. For Spain and Portugal, this relative success is almost entirely explained by a mix of industries and products which are better suited to the import needs of the east European countries. For Greece, this industry effect is supplemented by its geographical proximity to the emerging markets.

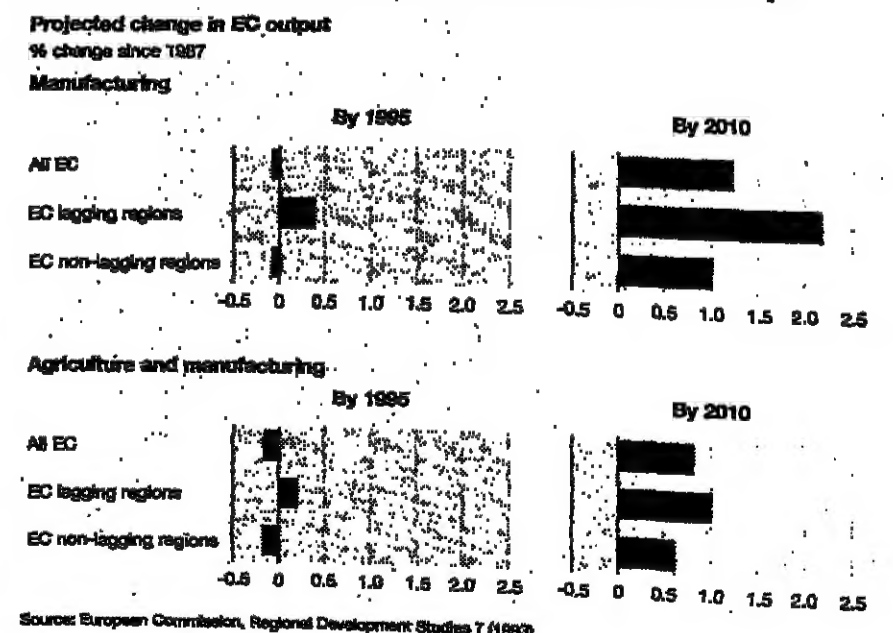
Why then are the southern European countries so opposed to eastward enlargement, and determined to stick to the Maastricht timetable? The reason is the EC's Ecu157bn (¥120bn) aid budget. Over the period 1994-99 the EC plans to distribute

Ecu141.5bn in structural funds to the EC's backward regions. A further Ecu15.5bn should be paid out by 1999 to Ireland, Spain, Portugal and Greece through the cohesion fund as compensation for signing the Maastricht treaty.

But allowing the east or central European countries to join the Community would undermine southern Europe's claim on this aid budget, while recognising that the Maastricht timetable is dead removes the rationale for the cohesion funds. The risk for the EC is that locking the east European countries out may mean an even larger aid burden if reforms fail. But this larger aid burden if reforms fail. But this larger aid burden if reforms fail. But this larger aid burden if reforms fail.

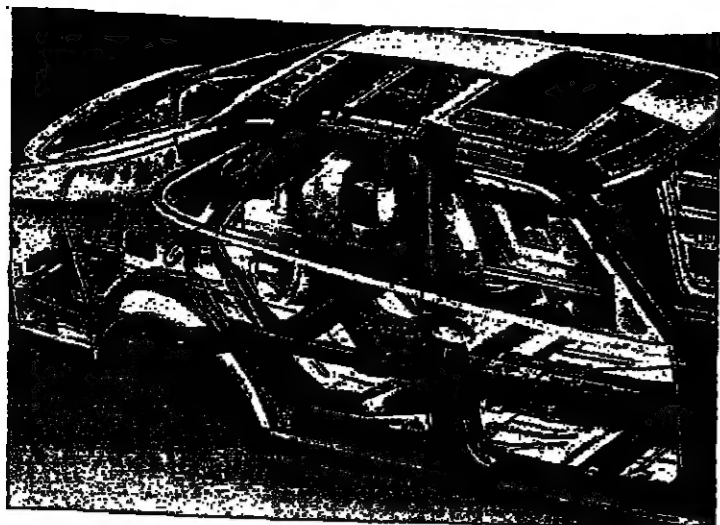
Edward Balls
Trade and foreign investment in the Community's regions: the impact of reform in central and eastern Europe. Commission of the European Communities, Regional Development Studies No 7.

EC regional effects of open trade with eastern Europe



INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS											
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.											
UNITED STATES				JAPAN				GERMANY			
Consumer prices	Producer prices	Exports	Real exchange rate	Consumer prices	Producer prices	Exports	Real exchange rate	Consumer prices	Producer prices	Exports	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.5	102.2	98.4	100.8	101.4	103.3	98.9	97.5	100.8	103.7
1987	105.8	100.7	103.8	98.7	101.2	101.2	103.3	100.1	96.1	100.8	108.9
1988	109.9	103.2	108.9	99.1	102.2	102.3	107.8	101.4	96.2	110.3	108.9
1989	115.2	108.5	110.0	101.1	104.9	104.2	114.0	104.2	99.3	117.3	107.7
1990	121.5	113.8	113.8	104.3	108.2	107.0	101.0	107.0	101.0	126.8	110.2
1991	128.6	118.3	117.3	107.8	111.8	108.8	104.2	110.7	103.4	131.8	114.7
1992	130.4	117.7	120.2	108.1	113.9	105.8	126.6	111.1	118.7	127.2	110.5
3rd qtr.1992	3.1	1.6	2.3	0.7	68.1	2.0	-0.9	0.7	8.9	117.1	3.5
4th qtr.1992	3.0	1.6	2.2	-0.8	72.2	0.9	-1.2	-0.1	10.4	122.1	3.7
1st qtr.1993	3.2	2.0	2.8	-2.0	74.3	1.2	-1.1	-0.5	7.0	126.1	4.3
2nd qtr.1993	3.2	1.9	2.5	-2.6	74.9	1.0	-1.4			136.5	
September 1992	3.0	1.6	2.5	1.3	68.1	2.2	-0.9	1.1	6.7	119.1	4.3
October	3.2	1.7	2.5	-0.4	70.3	1.2	-1.1	1.2	10.5	121.8	3.7
November	3.0	1.4	2.1	-1.1	73.1	1.2	-1.1	1.2	10.5	122.4	3.7
December	2.9	1.5	2.5	-1.0	73.9	0.9	-1.2	-1.0	10.3	122.4	3.7
January 1993	3.3	2.0	3.4	-1.8	74.4	1.0	-1.7	-3.6	10.1	122.0	4.4
February	3.2	2.0	2.9	-2.1	74.8	1.3	-1.0	1.8	7.3	126.5	4.2
March	3.1	2.0	2.5	-2.2	74.0	1.2	-1.2	1.0	3.8	129.4	4.2
April	3.2	2.4	2.5	-2.4	72.5	0.9	-1.3	2.0	5.4	132.8	4.3
May	3.2	2.0	2.5	-2.2	72.6	1.1	-1.5	2.3		134.7	4.2
June	3.0	1.4	2.5	-3.1	73.4	1.0	-1.5			139.2	4.2
July	2.8	1.3		-2.4		1.8					
August						2.0					
Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, Italy: Consumer prices: not seasonally adjusted, Producer prices: not seasonally adjusted, US - finished goods, Japan - manufactured goods, Germany - industrial products, France - intermediate goods, Italy - total producer prices, UK - manufactured products, Exports index: not seasonally adjusted, Exports in manufacturing excluding France and Italy (wage rates in industry), Hierarchy except Japan (monthly) and UK (weekly), Unit labour costs: seasonally adjusted, monthly, manufacturing industry, Real exchange rates: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic commodities. A fall in the index indicates improved international competitiveness.											
FRANCE				ITALY				UNITED KINGDOM			
Consumer prices	Producer prices	Exports	Real exchange rate	Consumer prices	Producer prices	Exports	Real exchange rate	Consumer prices	Producer prices	Exports	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	102.9	106.1	100.2	104.8	102.7	103.8	103.4
1987	105.9	97.8	107.8	103.0	104.1	111.0	102.2	111.6	105.5	107.4	104.5
1988	116.5	108.8	118.4	105.8	107.4	116.5	108.8	118.4	107.7	103.8	103.1
1989	122.2	111.1	120.6	105.8	102.9	122.2	111.1	120.6	107.4	107.4	116.5
1990	126.8	118.3	117.3	107.8	111.8	126.8	118.3	117.3	107.8	111.8	116.5
1991	131.8	118.3	117.3	107.8	111.8	131.8	118.3	117.3	107.8	111.8	116.5
1992	130.2	106.8	126.8	118.3	101.3	140.3	121.7	147.9	131.3	107.7	141.2
1993	123.0	104.0	133.3	115.8	104.7	147.7	124.0	155.9	136.8	102.4	146.4
3rd qtr.1992	2.7	-0.9	n.a.	1.6	105.0	5.2	1.9	3.7	2.7	104.4	3.6
4th qtr.1992	2.2	-1.6	n.a.	2.6	108.2	4.8	2.2	2.9	6.8	93.0	3.8
1st qtr.1993	2.1	-2.3	n.a.	10.1	109.1	4.3	3.1	2.8	88.9	92.9	3.1
2nd qtr.1993	2.0	-3.3	n.a.	108.3	4.1	3.1			88.9	92.9	3.1
September 1992	2.6	n.a.	3.5	n.a.	106.2	5.1	1.9	3.7	n.a.	104.4	3.6
October	2.4	n.a.	-	n.a.	108.6	4.9	2.0	4.1	n.a.	92.8	3.6
November	2.1	n.a.	-	n.a.	108.0	4.8	2.0	4.1	n.a.	92.8	3.6
December	2.1	n.a.	3.6	n.a.	107.9	4.8	2.2	4.1	n.a.	94.7	3.0
January 1993	2.1	n.a.	-	n.a.	106.5	4.8	2.5	2.4	n.a.	91.4	2.6
February	2.1	n.a.	-	n.a.	106.8	4.2	2.8	2.8	n.a.	88.0	1.7
March	2.2	n.a.	3.4	n.a.	108.2	4.2	3.5	2.7	n.a.	83.8	1.9
April	2.1	n.a.	-	n.a.	110.0	4.2	3.7	2.8	n.a.	84.3	1.3
May	2.0	n.a.	-	n.a.	109.3	4.0	4.0	2.6	n.a.	88.0	1.3
June	1.9	n.a.	2.5	n.a.	108.7	4.2	4.0	4.2	n.a.	88.3	1.2
July	2.1	n.a.	-	n.a.		4.0			n.a.		1.4
August	2.1	n.a.	-	n.a.		4.4			n.a.		1.4
1992 September 102.3 October 93.6 November 94.9 December 95.2 1993 January 92.4 February 95.5 March 95.5 April 94.9 May 94.9 June 94.9 July 94.9 August 94.9											

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The new Saab 900's door handle is intentionally-recessed to reduce wind-noise. With your palm up or down it offers a firm grip. Well appreciated in bad weather or emergencies.

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Active Safety? Avoiding accidents in the first place. We match our chassis resonance to that of the human body with prompt and precise signals. (Germany's authoritative "Auto, Motor und Sport" magazine: '...a high level of performance and comfort owing to a sporty and comfortable chassis'.)

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Over one hundred prototypes were deliberately crashed. A three-way collision simulated effects of a multiple accident.

inertia seat belts and individual head restraints*. The lower seatframe also acts as a cross-member reinforcing side-protection (the rear seat backrest can be optionally equipped with two foldable child seats).

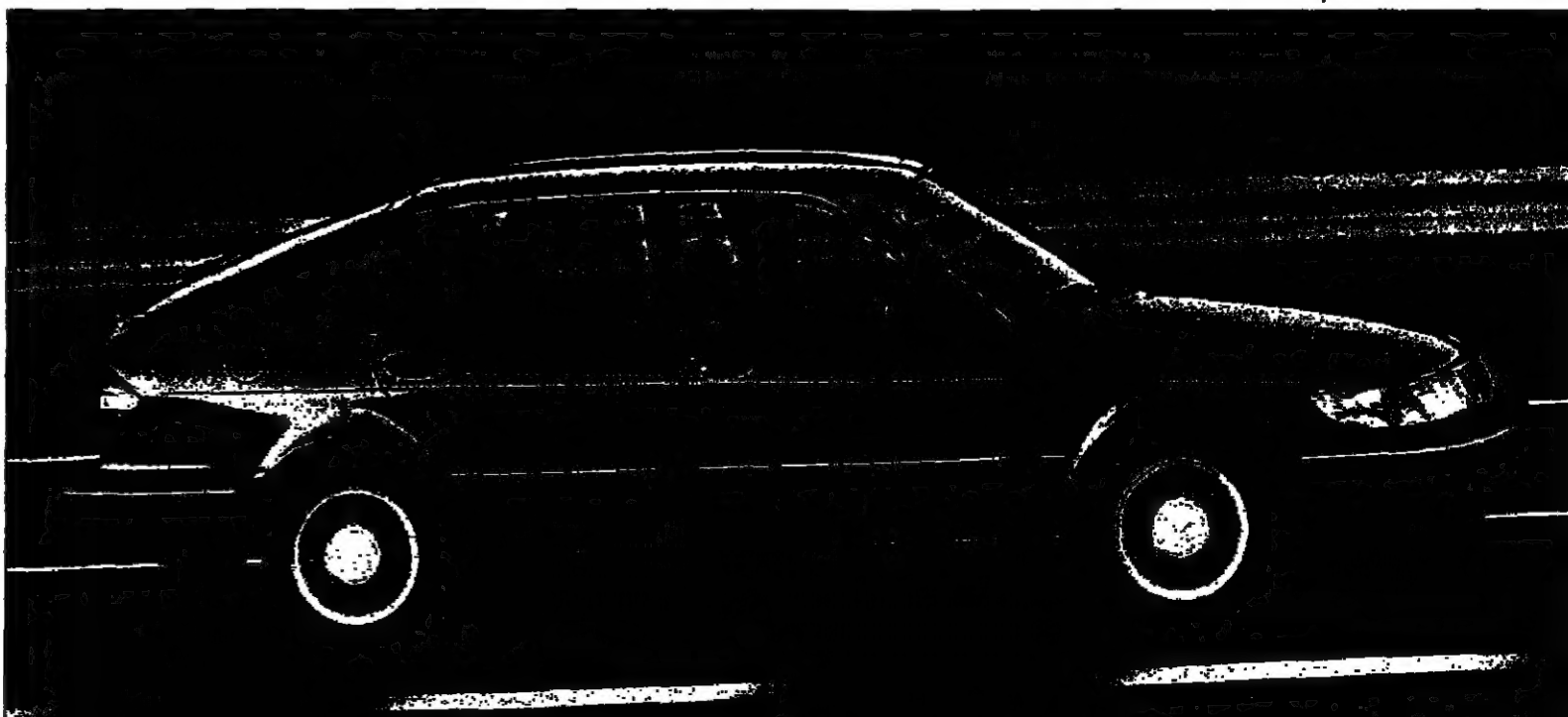
It was rammed in the side at 54 kph. All doors are packed with shock-absorbent foam. The side-protection-system deforms defensively while absorbing collision force. Occupants are housed in a reinforced steel safety cage that deflects high-speed collision forces. Result? A battered new 900 with safety cage intact. Passengers would have been shaken, but *alive*. For 25 years, our safety engineering:

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*Centre head restraint is an option
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NEWS: UK

Engineering groups demand law reform

By David Goodhart,
Labour Editor

THE Engineering Employers Federation called yesterday for urgent reform of UK labour law, saying that its complexity was imposing an excessive burden on companies.

The federation, the UK's largest industrial employers' group, says in an internal paper that the law should be overhauled to strike "a fair balance between the employment rights of individuals and the requirement to promote successful businesses". It is the

furthest a leading employers' group has gone in arguing that UK labour law should be put on a new footing.

The government last month passed its eighth important piece of employment legislation since 1980, and the UK is steadily accommodating a growing body of European Community employment legislation.

The paper says on EC legislation that, because of differing legal traditions, a proper balance has not always been struck between adequate implementation and the avoid-

ance of undue burdens on business. It also states that the UK government "opt-out" from the social chapter of the Maastricht Treaty "will only provide limited protection for UK employers". Because of that, the federation continues, the UK government should seek to negotiate on all EC employment proposals.

Other UK employers' organisations, such as the Institute of Directors, are pressing for further labour legislation in the UK including a ban on strikes in essential services.

The Engineering Employers

Federation argues that legally-backed codes of practice should supersede the present complex mix of statutory provision and case law. Such codes would bring the UK closer to the codified systems of labour law elsewhere in the EC.

The paper says: "Regularly updated codes of practice, with greater authority than previous case law, should cover all the main areas of individual statutory rights."

The paper also says laws covering maternity rights, redundancy dismissals and the EC-

inspired Transfer of Undertakings (Protection of Employment) regulations are particularly complicated.

Another target is the industrial tribunal system which, the federation says, "is getting bogged down with excessive delays, long hearings and legal complexities".

Mr Peter Reid, head of employment policy at the federation and one of the paper's main authors, said simpler and clearer laws would benefit employees and employers.

Editorial Comment, Page 15

Britain in brief



Freeze on 'green rates' is deplored

The UK food industry attacked a European Commission decision to freeze fluctuations in "green" currency rates until the end of this month to protect farmers from losses.

The "green" money rates provide a mechanism for translating EC-guaranteed farm prices into national currencies.

The Food and Drink Federation said in a letter to the Commission: "The system must be transparent and predictable for as long as it exists. It is of great concern that the rules agreed last December should be changed arbitrarily."

Mr John Bradbury, group buying director for United Biscuits, said: "It's absolutely abominable. We now face a month of complete uncertainty over our input prices with no idea what may happen at the end of that." The issue will be discussed at a meeting of agriculture ministers on September 20 at which Mrs Gillian

Shepherd, the agriculture minister, is expected to oppose a continuation of the freeze.

Warning to regulators

Utility regulators should pay more attention to consumer interests before trying to introduce greater competition into household utility services because the benefits are far from clear, the National Consumer Council says.

The results of privatising the gas, water, electricity and telephone industries have been very mixed and the consumer's interests have not always been served as well as those of the business user or the shareholder, the council adds. "The regulators should carry out proper cost/benefit analyses of the effects of introducing competition into these services. These analyses must include the implications for domestic consumers."

ics and diverging from international standards.

Mr David Tweedie, board chairman, retorted yesterday: "Most of what we are doing is just catching up with standards elsewhere in the world."

Bus route to fortune

A group of bus drivers will make a profit of more than £100,000 each through the forthcoming flotation of Bagderline Group, a company based in south-west England that has grown into one of the UK's biggest providers of local bus services.

The company, which operates 2,300 buses and coaches in Midlands, south Wales and the south of England, will be floated on the stock market in November with an estimated value of £100m.

Blast tragedy

A woman died and four other people were injured today as two blocks of flats built in the 1960s were demolished in an explosion which rocked the Glasgow district of Glasgow in Scotland. The 61-year-old woman, at first thought to have suffered a heart attack, was later believed to have been hit by debris.

Part of one of the 22-storey blocks remained intact after what was described as the largest controlled explosion since 1945.

French invest in London

By Vanessa Houlder,
Property Correspondent

TWO FRENCH insurance companies have paid £82.5m for an office building in London's St James's Square in one of the largest property transactions this year in the West End of the capital.

The deal illustrates the prominence of overseas investors in the UK property market. Buyers from outside the UK are likely to spend about £1.75bn on UK property this year compared with £1.33bn in 1992 according to DTZ Debenham Thorpe, property advisers. The building in St James's

Square has been acquired by GAN and UAP, two of France's largest insurance companies, from Kumagai Gumi, the Japanese developer, on a yield of just under 7.5 per cent.

The 70,000 sq ft of offices - occupied by Grand Metropolitan, the food, drinks and retailing group - generate an income of £4.75m a year from one of the highest rents in London. Grand Metropolitan has a 25-year lease agreed in 1990.

DTZ Debenham Thorpe says demand for UK property is the highest for at least five years. The firm adds that overseas investment in UK property totalled £837m for the first half

of 1993 - about the same as in the last six months of 1992.

Hong Kong and Chinese investors have been the most prominent source of demand, accounting for nearly a quarter of investment so far this year. Investors from the Far East have spent £193m for the first half of 1993 compared with a 1992 total of £63m. Middle East investment is also continuing to grow, with a total of £152m by mid 1993 compared with a £171m total for 1992.

Investors from mainland Europe accounted for 40 per cent of the total spent from overseas on UK property in the first six months of this year.

Directors attack 'outdated' EC policy

By Michael Cassell,
Business Correspondent

THE INSTITUTE of Directors has launched a fresh attack on EC social policy, describing it as a "misdirected and damaging job-destroying machine".

The institute says in a submission to the European Commission that the EC's social chapter and social action programme are based on "outdated and undemocratic collectivist policies geared to the rights of organised labour".

Mr Peter Morgan, institute director-general, called for

EC member countries to be "set free from the shackles of social policy, which makes the labour market inflexible and European business uncompetitive".

Mr Morgan added: "The biggest problem in Europe today is 17m unemployed. The focus of future EC social and employment policy must be to get these people back into work, an objective which will not be achieved by Europe's anti-employment laws and an even heavier burden of regulation and social cost on the job creators."

Iraq inquiry judge examines 'a very murky crystal ball'

WHEN, if ever, is it justifiable for ministers and civil servants to lie "in the public interest"? That thorny question is at the heart of an inquiry, which resumes today, into UK sales of arms to Iraq.

Never before have the workings of Whitehall been subjected to such detailed scrutiny.

The inquiry, headed by Lord Justice Scott, was launched last November by Mr John Major, the prime minister, after it was disclosed that the government had tried to withhold vital evidence from the trial last year of three executives of Matrix Churchill, a Midlands-based machine tools company.

Lord Justice Scott says that, when he started the inquiry, it was like "looking into a very murky and inaccurate crystal ball".

One senior official said: "Scott does not seem to understand what I would call a principle of government... This is that you don't tell a lie, but

the UK would not export equipment that "would significantly enhance" the conflict at that time between Iran and Iraq.

In the light of such events, the Scott inquiry is now focusing on such questions as:

● Did the government deliberately lie to parliament by saying there was an embargo on the sale of arms to Iraq while secretly encouraging such sales from the mid 1980s until shortly before the invasion of Kuwait in 1990?

● Who among ministers and Whitehall officials was responsible for the alleged deception?

● If the government did lie to parliament, was that justified? On the other hand, was the alleged misleading of parliament the consequence of a culture of dishonesty within the highest reaches of Whitehall?

Not since 1883, when senior diplomat Lord Franks probed the UK's handling of the Falklands conflict with Argentina has the machinery of government and the process of formulating defence policy been examined so publicly.

How much did the government know about arms sales? Jimmy Burns and Robert Peston report

you don't have to open up completely... There have been occasions when ministers have felt honestly that it is wrong to open up the "dossier".

Another civil servant, who has appeared as a witness before the inquiry, said of the cross-examination he had received: "It was a most uncomfortable experience, a clear clash of cultures... the judge seems unable to understand the political, diplomatic and commercial realities existing in the 1980s."

Lord Justice Scott is making life equally uncomfortable for past and present ministers. He has asked Sir Patrick Mayhew, the former attorney-general and current Northern Ireland secretary, whether he was part of an alleged cover-up to prevent evidence coming to court about UK involvement in the building of an Iraqi "super-gun". Scott will soon also interrogate Lady Thatcher, the former prime minister, and Mr Major on what they knew of UK sales of arms to Iraq in the 1980s.

In the trial of the Matrix Churchill executives, the defendants might have been convicted of illegally supplying arms to Iraq if the UK government had succeeded in withholding evidence. The prosecution abandoned the case after the judge rejected the government's request to withhold classified documents in the public interest.

The documents disclosed that the departments of trade and industry, defence and the Foreign Office had known about Matrix Churchill's business with Iraq in the mid 1980s, in apparent contravention of stated government policy that

Lord Justice Scott has said he believes government is often surrounded by an unjustified veil of secrecy. "I think the government should be prepared to share with the public, on whose behalf it governs, its concerns and aims and the reasons why important decisions are taken."

But some fear that his findings will not be understood by the public. One official, a former permanent under-secretary of state at the Ministry of Defence, said: "An inquiry by a High Court judge is not the best way of doing this... He may bring out the facts, but my doubt is whether he really understands about the day-to-day business of government where things, if not quite murky, are not clear cut."

Observers such as Alex Danchev, professor of international relations at Keele University, who wrote an analysis of the Franks report, claim the cross-examination of witnesses in public is proving a healthy corrective of what he believes is the abuse of power. "Civil servants after Scott are going to find it much more difficult to behave simply like handmaiden of government."

His view finds support from a senior Foreign Office official, who has appeared before the inquiry. He said: "I think what Scott is pointing out is a Whitehall culture which, because of its inherent secrecy, is prone to make mistakes... We have tended to confuse service to ministers with the national interest."

Whitehall could become more open and accountable after the inquiry. But whether there will be disclosures that could lead to the resignation of ministers is uncertain.

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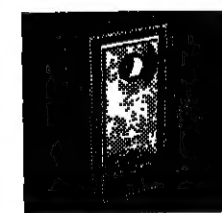
Golden Steering-Wheel for 1992

Styling, value, and operating comfort were some of the factors which led to Mazda's award in Germany.



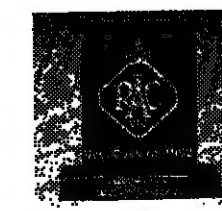
Great Austrian Automobile Award for 1992

Safety, fuel economy, value and styling were important factors in choosing this silver winner.



Wheels Magazine's Car Of The Year, 1992

An Australian car magazine bestowed this title upon both the four- and six-cylinder versions as well as the sedan and hatchback styles.



Best Buys of 1992

The Australian Royal Automobile Club of Victoria magazine editors chose Mazda's 626 as the best value in the mid-size category.



NRMA's Best Cars for 1992

Australia's National Roads and Motorists' Association winner for best medium-sized car.



Car Of The Year, Denmark, 1993

A powerful motor, comfort and design were among the factors determining this year's winner.

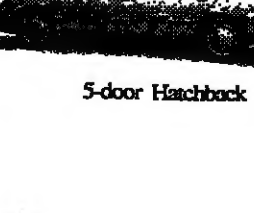


Car of The Year, Venezuela, 1993

The National Speed Commission of Venezuela chose the 626 for its styling, safety, and high-speed stability.



4-door Sedan



5-door Hatchback

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New home for MoD personnel

The Ministry of Defence has awarded a £100m contract to JOHN MOWLEM CONSTRUCTION for the 'shell and core' construction work at the new Procurement Executive headquarters at Abbey Wood, north Bristol.

The new headquarters will bring together staff currently housed in nine different London buildings as well as sites in Bath, Portsmouth and Portland. Annual running cost savings of up to £40m are estimated along with manpower savings of a further £35m a year.

This contract will involve construction of the new headquarters buildings and is expected to provide a considerable boost for the construction industry and the local economy. Much of the workforce will be recruited from the Bristol area and a number of local sub-contractors will also benefit.

Construction work will begin next month and is scheduled for completion in 1996. Interior fit-out work is not included and will be subject to further competitive tendering. The Procurement Executive will begin to occupy Abbey Wood from Autumn 1995 as the office accommodation becomes available.

John Laing Construction is currently developing the infrastructure of the site and the whole scheme is being managed by Symonds Construction Management.

Foundations

CEMENTATION PILING & FOUNDATIONS has won new contracts worth £6m. The largest is for piled foundations for a waterside cold store development at Tilbury Docks. More than 1,800 cast in situ piles will be constructed to depths of up to 21 metres with over one third being founded in the concrete inverts of the infilled dock and lock structures.

Consultancy

TURNER & TOWNSEND has been awarded the cost consultancy role for the £55m first phase of the new headquarters building for Scottish Widows at Port Hamilton, Edinburgh.

Restoring Welsh landmark

A team of divers working in some of the most feared tidal conditions in the world, at depths of up to 40 ft, are helping to repair the 80-year-old Mumbles lifeboat station on the Welsh coast.

The five divers are part of a team of concrete experts and technicians from TARMAC STRUCTURAL REPAIRS, restoring the time-ravaged structure supporting the lifeboat house, slipway and walkway.

The £500,000 contract is the seventh to be awarded by the Royal National Lifeboat Institution to the company for structural repair and strengthening of some of Britain's most famous lifeboat stations.

The tidal range around the Mumbles headland approaches 10 metres and the tidal currents generated in the Bristol Channel frequently allows only brief spells for the divers to work below sea level on the base of the structure, which was completed in 1914.

Diving and repair crews operate from a barge, which provides a 14-metre long working platform with 18-metre long jack-up legs embedded into the sea bed.

A mobile crane installed on the barge lifts goods and equipment on to the working platform.

The divers, working in relays



The lifeboat station at the Mumbles on the Welsh coast

against the clock, use air lines from powerful suction pumps to remove sand from around the pile supports, which are buried to a depth of six metres

in the sand of the sea bed. Specifically designed fabric jackets are then placed around the exposed piles and filled using underwater concrete.

Automated warehouse in Barcelona

McGregor Cory, the European logistics and distribution specialist, has awarded TILBURY DOUGLAS CONSTRUCTION an £11m contract to design and build an automated warehouse in Barcelona. The multi-client facility is believed to be the first of its type in Spain, combining a 9,300 sq metres high-bay store with a 11,300 sq metres conventional low-bay area.

Tilbury Douglas designed the distribution centre around the

racking and mechanical handling systems. The design, supply and installation of the computerised mechanical handling system are all part of the contract which is being carried out by Cleco as sub-contractor. Twenty loading docks are included in the design.

Goods in the main high-bay warehouse will be handled by automated computer controlled cranes linked to front loading bays. The adjoining low-bay area will incorporate a con-

trolled temperature area for storing food products. Office facilities, a fork lift truck maintenance area, and other ancillary buildings will also be provided.

The warehouse will be completed in September 1994. It will be the first building in a new business park, whose existence is partly attributable to the distribution centre.

Tilbury Douglas is working in joint venture with Spanish contractor Jansa.

Developing offices in Knightsbridge

TROLLOPE & COLLS, part of Trafalgar House Construction, has been awarded two contracts in central London worth £20m.

The largest is for two six-storey office buildings at 25 - 31 Knightsbridge for Knightsbridge Commercial Development.

Designed by architects, Hunter & Partners, one of the buildings will be the new headquarters for the National Farmers Union.

The National Farmers Union previously occupied the six-storey building on the site which was constructed by Trollope & Colls in the 1960s.

In Oxford Street, Trollope & Colls has won a £5m contract to re-clad and refurbish Wells House at numbers 134/140 for the Prudential Assurance Company.

Pre-cast concrete cladding will be removed from two of the 1960s building's facades and replaced with lightweight aluminium curtain walling.

Bracknell shopping project

Bracknell Forest Borough Council has selected HIGGS & HILL as its new development partner for the £50m redevelopment of the Easthampstead retail site in the heart of Bracknell town centre. The proposed retail development will provide around 200,000 sq ft of additional shopping and 400 covered car parking spaces with direct access off the Ring.

The development will comprise two anchor users, either department or variety stores, as well as 30 smaller shop units. The scheme will link the High Street and Broadway to complete the development of the town centre, giving great visual impact from the ring road.

The area is currently occupied by a magistrates' court, police station, post office, library and borough council offices.

All will be relocated into new accommodation for which most sites have already been identified.

Social housing

KIER NORTH EAST, part of the employee-owned Kier Group, has been awarded a £6.7m contract to design and build 173 dwellings at Stonegate 'A' Housing Development, Meanwood, Leeds on behalf of Leeds Federated Housing Association.

Work has started on the project, which comprises two, three, four and five-bedroom houses, one and two-bedroom flats, shared housing units and three and four-bedroom bungalows for wheelchair users.

External works include car parking areas, boundary walls, hard and soft landscaping, footpaths, fencing, external services and drainage with completion due in July 1995.

Management

Asda Stores has appointed BOVIS NORTH to carry out a construction management project worth £8.5m in Burnley, Lancashire.

Work involves a store with a restaurant, an independent pharmacy, a 650-space car park, petrol filling station and the re-design of the surrounding infrastructure.

Carr accelerates to find finance director for Amber Day

Amber Day, the discount retailer which has been racked by boardroom ructions for the past year, has appointed Keith Paskins, 48, as finance director.

Paskins is well known to Peter Carr, 52, an experienced retailer who took over as chairman of Amber Day in August. Paskins is a former finance director of Galaris Precious, the Spanish stores group where Carr was chief executive from 1989-91. Before that Paskins worked on financial systems for the stores group Debenhams, where Carr was managing director.

Carr says the Glasgow-based chain of 52 What Everyone Wants stores would benefit from Paskins' expertise, but

adds: "It's most important that he's a retailer first and then he's an accountant. It's rare to find an accountant with a merchant's attitude."

Paskins takes the role vacated by David Thompson, who became chief executive of the company last month after a boardroom tussle which saw the departure of Stacy Ellis as chairman only seven months after he joined the discount retailer in an attempt to rebuild its shattered credibility with the City.

Thompson had been acting chief executive since the sudden departure last year of Philip Green. Amber Day's controversial chairman and chief executive.

Non-executive directors

The Royal Mint is increasing its number of non-executive directors from two to three, all from the private sector. The two new members are Gisela Burg, managing director of Expotus, an exporter of UK audio industry products, and Sidney Taylor, ITA, director of worldwide manufacturing systems and technology.

They join Stuart Cameron, an ex-Chancellor and chief executive of Gallagher, the tobacco company. His fellow non-executive director, Joe Burnett-Stuart, formerly with Robert Fleming, has retired.

The Mint, which made an operating profit of £11.8m in 1992-93, became an executive agency in April 1990 and is now undergoing a Treasury review of its status. It says there are "no current plans" for its privatisation.

Independent Pension Consultants, the Glasgow-based company which acts as an independent trustee of employee pension schemes, has appointed Ian Bankier its non-executive chairman. Bankier is one of Scotland's best known corporate lawyers. He resigned as partner of the Glasgow solicitors McGrigor Donald in February to pursue his own interests as a consultant to pica. He is on the board of Murray Johnstone Development.

ment, a venture capital company which is part of the Glasgow fund management group, and advises other companies.

Independent Pension Consultants was set up 20 months ago by Neil Fraser, formerly with Murray Johnstone. David Bowes-Lyon, a director of Hill Samuel Scotland who ran Union Discount's Edinburgh office until it was closed last year, becomes a non-executive director.

The Altrincham-based engineering and aerospace group Brammer has appointed Robert Hough, 48, as a non-executive director, following the retirement at the June agm of Jim Barker.

Hough, like Barker, a lawyer with extensive corporate and commercial experience, is originally from the north-west, though he migrated to Bristol to pick up his law degree.

He is also chairman of the Manchester Ship Canal company, 82 per cent of which is owned by the nationwide property company Peel Holdings, of which Hough is deputy chairman. The Manchester Ship Canal company keeps him busy; it has recently got planning permission for a 1m sq ft shopping centre at Dumphington, on ship canal property.

Sir Peter Michael, former chairman of Cray Electronics, is appointed chairman of CLASSIC FM on the retirement of Henry Meakin.

The Architecture Unit of the Arts Council of Great Britain promotes public understanding of architecture and supports projects which increase knowledge and understanding of historical and contemporary architecture.

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University of Nottingham £7,500
Birmingham Design Initiative £7,000
Royal Institute of British Architects (Northern Region) Newcastle £4,000
Hammersmith Community Trust, London £2,100
Royal Institute of British Architects (Wessex Region) & Bristol Centre for Advancement of Architecture £2,000

EXHIBITIONS

Benedict Zucchi £9,000 for an exhibition of Glencoe de Curie, 1993 RIBA Royal Gold Medalist for architecture
Architectural Association £5,000 for an exhibition based on the late Royce Barham's slide archive
Anna Harding £5,000 to develop an exhibition looking at post-war modern British architecture
Peter Hordell Jones & A3 Times £5,000 for a Hans Scharoun centenary exhibition
Royal Institute of British Architects (Housing Group) £5,000 to develop an exhibition which examines the art of housing design
Architecture Centre Cambridge £4,000 for Patis projects, an exhibition on French architecture
Architecture Foundation £4,000 for an exhibition of young British architects
Liverpool Design Initiative £2,500 to develop an exhibition on the design of street furniture
Dacorum-UK £2,000 for a retrospective exhibition on the architects Alison & Peter Smithson
National Museums & Galleries on Merseyside £1,500 to develop an exhibition which looks at the influence of Charles Barry and the Liverpool University School of Architecture
Georgian Group £1,000 to develop an exhibition on the design of present day cities and that Georgian predecessors
Pippa Muesel & Anne Thorne £1,000 to develop an exhibition highlighting the skills clients need to commission architects effectively

EDUCATION & THE NATIONAL CURRICULUM

Building Experience Trust £3,000 for schools workshops
Hampshire Education Business Partnership £3,000 for primary education teaching material looking at architecture from Victorian times to the present
Royal Institute of British Architects (West Midlands) £3,000 for a project to examine architecture in key stages of the art curriculum
Colchester Through Touch and Hearing £2,500 for audio guides for visually impaired visitors
Accademia Italiana £1,500 towards architecture workshops which examine Renaissance design
Pavilion Trust, Bechill-on-Sea £1,500 for teaching materials integrating the De La Warr Pavilion

ARCHITECTURE & THE PUBLIC

David Crawford £5,000 towards a project which reveals buildings to the public and stimulates interest in architectural interpretation
Icon Gallery £3,000 towards projects fostering public interest in architecture in Birmingham
Public Art Forum £2,500 towards a national workshop on collaboration in design
Women in Construction Alliance £2,500 towards a symposium examining equality for women in the construction industry
South West Arts Board £2,000 towards a guide to the architecture of the South West of England
MAP (Movement, Architecture, Performance) £1,325 to assist an international summer school
Alibabha Chama £1,000 towards a series of public lectures examining the practical realisation of building projects
Bristol Society of Architects £450 towards a series of architecture lectures at the Arncliffe Gallery

For further information on these projects contact Rory Coonan
Head of Architecture, Arts Council of Great Britain
14 Great Peter Street, London SW1 3NQ. Telephone 071 973 6469 fax 071 973 6590

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY WORLD FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de L'Etoile, Luxembourg, at 11:00 a.m. Tuesday, September 28, 1993, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended May 31, 1993.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R.J. Bateman, Charles T.M. Collis, Charles A. Fraser, Jean Hamillius and H. F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended May 31, 1993, and authorization of the Board of Directors to declare further dividends in respect of fiscal year 1993 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Proposal, recommended by the Board of Directors, to amend Article 16 of the Fund's Articles of Incorporation in its entirety, principally in order to delete the specific limitations in the nature of investment safeguards and to delete the description of certain of the powers of the Board of Directors set forth therein and to substitute more general language in order to provide greater discretion to the Board of Directors in determining the Fund's investment safeguards and permissible investments, and to describe more generally the Board's authority to manage the Fund's business, subject to the requirements of Luxembourg law and regulation. Copies of Article 16 as proposed to be amended may be obtained from the Fund at its registered office in Luxembourg and are being mailed to all registered shareholders with this Notice of Meeting. Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present.
9. Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present.

Approval of item 8 of the Agenda will require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting at which a majority of the outstanding shares must be present or represented; if a quorum is not present, then at an adjourned session of the Meeting, approval of item 8 shall require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitation imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 31, 1993

BY ORDER OF THE BOARD OF DIRECTORS.

THIS NEWSPAPER AND YOU

If you have a complaint about an item in this newspaper which concerns inaccuracy, intrusion, harassment or discrimination, write to the editor about it.

If you're still dissatisfied you can write to the Press Complaints Commission, an independent organisation established to uphold an editorial Code of Practice for the Press.

THIS NEWSPAPER ABIDES BY THE PCC'S DECISIONS

PC

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Telephone 071 353 1248 Fax 071 353 8355

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THE WEEK AHEAD

ECONOMICS

UK braced for inflation indicators

THIS WEEK brings a string of UK economic figures covering inflation, unemployment and manufacturing output.

With many economists predicting that inflation has hit bottom, the retail prices index on Wednesday will be of particular interest.

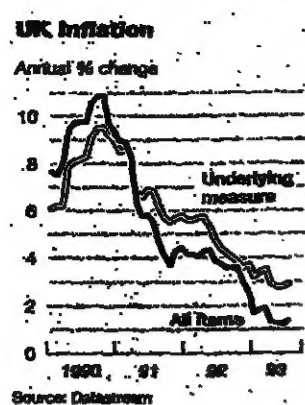
A commonly-held view among London-based analysts is that the headline rate reached a trough in June, when the inflation rose just 1.2 per cent year-on-year. In July it notched up to 1.4 per cent and the median forecast for August is 1.5 per cent.

The more important underlying rate, excluding mortgage interest payments and which the Treasury aims to hold within a target range of 1 per cent to 4 per cent, is forecast to remain unchanged at 2.9 per cent.

Other inflationary indicators include the producer prices index today and average earnings figures on Thursday, which are published with unemployment figures on Thursday.

There are fewer figures of note in continental Europe although second quarter GDP figures for France, released on Friday, are expected to confirm that the French economy contracted, if marginally.

Germany sees little action this week following the Bundesbank's move to lower key



Source: Datastream

prices last Thursday.

In the US the markets will spotlight August consumer prices, retail sales and industrial production.

The most important economic statistics and events of the week follow. The figures in brackets are from MMS International, the financial information company.

Today: UK, August producer prices index, input (up 0.2 per cent on month, up 6.8 per cent on year), output (flat on month, up 4.2 per cent on year), excluding food drink and tobacco (up 2.6 per cent on year).

Canada, August consumer prices index (up 0.1 per cent on month, up 1.7 per cent on year).

Spain, August consumer

prices index (up 0.6 per cent on month, up 4.6 per cent on year); social pact talks continue.

Norway, general election; August trade balance excluding ships (NK\$3.7bn surplus); Tomorrow: US, August retail sales (flat), excluding cars (up 0.2 per cent), consumer prices index (up 0.1 per cent), excluding food and energy (up 0.1 per cent), Atlanta Fed index, real earnings; Q2 current account; car sales September 1-10, truck sales same period; Johnson Reebok week ended September 11.

Japan, August trade balance (\$7bn surplus); July machine orders; August wholesale prices index.

UK, July industrial production (up 0.8 per cent on month), manufacturing output (up 0.5 per cent on month, up 2.6 per cent on year).

Wednesday: US, July business inventories.

Japan, national holiday - markets closed.

UK, August retail prices index (up 0.3 per cent on month, up 1.5 per cent on year), excluding mortgage interest payments (up 2.9 per cent on year), retail sales (up 0.3 per cent on month, up 3.8 per cent on year).

Canada, August lead indicator (up 0.4 per cent on month).

Thursday: US, July merchandise trade (\$10.6bn deficit),

exports (\$38bn), imports (\$45.6bn); initial claims week ended September 11 (320,000); state benefits week ended September 4; August industrial production (up 0.2 per cent); September Philadelphia index; August monthly money supply; money supply data for week ended September 6.

UK, August PSBR (£3.7bn), unemployment (flat); July average earnings (up 3.5 per cent), unit wages (down 2.9 per cent).

Canada, July merchandise exports (up 0.1 per cent on month), imports (down 0.3 per cent on month), trade balance (\$1bn surplus); July building permits (up 2.8 per cent on month), wage settlement increases (up 1.2 per cent).

Friday: Japan, July industrial production, shipments.

France, Q2 GDP down 0.2 per cent on quarter.

During the week: Japan, WPI (down 0.5 per cent on month, down 4 per cent on year).

Germany, August WPI (down 0.1 per cent on month).

Italy, July industrial production, WPI, PPI.

Spain, August M4 (up 13.6 per cent on year), June industrial production (down 4.5 per cent on year).

Emma Tucker

RESULTS DUE

CURRENCY effects should help Incheape, the international services and marketing group, to report today a rise in half-year pre-tax profits from £17m to more than £140m. The recovery in UK car sales will be balanced by the downturn in the continental European market.

Continuing growth in Hong Kong will also mask more difficult trading conditions in Japan, but the group will be quizzed closely over the future of China's experiment in rapid economic development.

British Aerospace is expected to return to the black when it reports interim results on Wednesday. Analysts expect it to show a small pre-tax profit - between £20m and £50m - against an interim loss of £129m last time. The figures will confirm the company's gradual turnaround, although core military profits are likely to show a decline. Losses in

the civil aircraft side of the business will be covered by the hefty provisions made last year.

Interim pre-tax profits at Kingfisher, the retail group which includes the Woolworth, Superdrug, Comet and B&Q chains in the UK, and now Darty, France's largest electrical retailer, are expected to rise from £64.9m to between £72m and £85m when the figures are announced on Tuesday. The spread is largely accounted for by different estimates of the contribution from Darty. Analysts are hoping for good news from the French business, and about the performance of Depot, the new DIY warehouse chain. The interim dividend is expected to be lifted from 4.2p to 4.5p.

Monday also sees Dalgety announcing its full-year results. Something between £115m and £125m is expected, though the pre-tax figure will

mask a motley collection of divisional results. Agribusiness and ingredients should be good, though the consumer goods, snacks and petcare sides will probably have performed less well in tough and ever more competitive trading environments. The final dividend is forecast at between 12.5p and 13.5p for a total between 20.2p and 21.5p, compared with 19.5p last time.

On Thursday, United Biscuits is expected to report only a modest first-half recovery after the profits collapse inflicted by the US cookie wars a year ago. Forecasts range from £70m to £78m, compared with £70m last time. Any improvement by Keebler, the US snacks and biscuits division, is expected to be offset by margin pressures on McVitie's in the UK and a flat performance by Smiths, the Australian snacks business acquired last year.

Also on Thursday, Laporte, the specialty chemicals group which in January snatched Evode, the chemicals and plastics group from the jaws of Wassell, is expected to report interim pre-tax profits of between £16m and £18m.

Last time it made £11.5m. The City will be looking for signs that the group has put behind it a long period of disappointing earnings growth. There could also be a rise in the interim dividend from 7p to 7.25p.

On Wednesday Taylor Woodrow is expected to swing back into the black with interim pre-tax profits of around £10.5m compared with a £16m loss last year. Last year's loss came after a £21m provision to cover falling housing and commercial property prices and prompted the group to cut its interim dividend to 0.5p - a level which is expected to be maintained.

UK COMPANIES

TODAY

COMPANY MEETINGS: British Bio-Technology, Merchant Taylors Hall, 30, Threadneedle Street, E.C. 2, 10.30

Reagents, Regent House, Remore Way, Liverpool, 12.00

Shenstone Holdings, Grosvenor House Hotel, Park Lane, 10.00

BOARD MEETINGS: Finlec, Dalgety, 10.00

Financing Emerging Market Inc., Fosters Building, 10.00

Westwood Development Plc, Second Alliance Tst, 10.00

UK Land, 10.00

Acropolis Foods, 10.00

British Polytechnic, 10.00

Condomer Inc., 10.00

ESS Grp., 10.00

Salitex & General, 10.00

Forti Ports, 10.00

Heywood Williams, 10.00

Incheape, 10.00

London Forfeiting, 10.00

Mechanics Tst, 10.00

West-BNA, 10.00

Prepcon, 10.00

Prepcon Consolidated Oil, 10.00

Sharpe & Fisher, 10.00

Trinity Int., 10.00

WATERFORD FOODS, 10.00

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Looks like the future is bright for gas.

Our grand-parents used gas for lighting homes and streets; now natural gas is becoming the preferred feedstock to generate electricity. TOTAL is both an oil and a gas company; in fact natural gas represents a major part of our hydrocarbon reserves. From geology to marketing, TOTAL is at the forefront of

this complex industry and today holds a world-class position. Natural gas has therefore become a strategic focus for the Group, and it is not just by chance that in this rapidly expanding industry, TOTAL is poised to become a key player. **TOTAL BY NAME. TOTAL BY NATURE.**



CONFERENCES & EXHIBITIONS

SEPTEMBER 14

The Future of European Securities Trading
Major conference to examine the issues arising from the integration of European Securities Markets. Speakers include: Chairman of the London, Paris, Amsterdam, Frankfurt and Luxembourg Stock Exchanges; and senior representatives from Mercury Asset Management and Lombard Odier.
Contact: Alison Elgin, Dow Jones Telecasters Ltd. Tel: 01 832 9532 Fax: 01 832 2791
LONDON

SEPTEMBER 17

Marketing & Sponsoring Minority Sports
A one day practical briefing on what to look for, what price to pay and how to package and build up the venture. Subjects: rights ownership, sports and media, interview techniques and the inclusion of multi-media TV.
Enquiries: Sports Solutions, PO Box 72, Bournemouth TN19 7SS
Fax: (London) 01 490 3788
LONDON

SEPTEMBER 20

Pay and Performance 1993/94
First of CBI/Ernst & Young seminars (14 presentations throughout UK to follow) presenting details of latest market costs and performance supported by case studies.
Contact: Karen Acton
CBI Conference
Tel: 01 379 7400
Fax: 01 497 3646
LONDON

SEPTEMBER 21

Developing a Strategic Approach to Document Management
A vital briefing which will explore the key issues in deciding on and implementing a corporate document management strategy. The programme features contributions, user case studies and a state of the art systems demonstration workshop.
Contact: Peter Barnes, The Information Resources Centre
Tel: 01 871 5436
LONDON

SEPTEMBER 21/22

Introduction to Risk Management
Training course covering derivative markets, currency options, FRAs, Futures, interest rate swaps and related products. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £640 + VAT.
Lyndon David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

SEPTEMBER 22

Overseas Property Seminar
Ernst & Young's afternoon seminar on the tax considerations of owning and purchasing overseas property. At Ernst & Young's office in London EC4.
Contact: Sam Griffiths
ERNST & YOUNG
Tel: 01 931 3818
LONDON

SEPTEMBER 22

Profit Related Pay
A practical guide to the successful design and application of PRP Schemes. This conference will examine the different ways in which PRP can be used, will take into account the Revenue's 1992 Statement of Practice and examine the practical problems already experienced by employers in implementing PRP schemes.
CONTACT: Vicki Coffin, IBC Legal Studies and Services Limited.
Tel: 01 637 4383 Fax: 01 631 3214
LONDON

SEPTEMBER 23-24

Understanding and Implementing Electronic Mail and EDI
This seminar will provide delegates with a clear appreciation of the products available, a business rationale for their implementation and guidelines for their integration into the current business practices of your organisation.
CONTACT: Peter Barnes, The Information Resources Centre
Tel: 01 871 5436
LONDON

SEPTEMBER 23-24

Financial Times Exporter
Export your conferences to Europe's Business Decision Makers!
Launched in June 1993 FT Exporter has established itself as Europe's foremost export review.
The second issue will appear on 13th October 1993, giving you the opportunity to reach a new relevant marketplace for your conferences.
EXPAND YOUR AUDIENCE THROUGH THE FT EXPORTER.
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SEPTEMBER 23-26

The Guardian Education & Jobs Fair
The UK's most definitive careers and education show including a comprehensive seminars programme. Over 140 universities and higher education colleges will be exhibiting and presenting a huge range of courses at all levels.
Enquiries: Peter Foster - Centre Exhibitions
Tel: 021 780 4141
BIRMINGHAM

SEPTEMBER 24 - OCTOBER 12

Serving the Customer: Is Information Technology a Bridge or a Barrier?
One day interactive workshop exploring the concept of 'Integrated Customer Care' and the challenges it presents for Marketing and Information Technology Managers/Directors.
Cost: £250.00 + VAT per delegate
Enquiries: contact: Geraldine Winstone, Amn. Accountancy Services Ltd.
Tel: 01 947 8650
Fax: 01 947 8478
LONDON

SEPTEMBER 27

Financial Reporting in the UK
The third FT meeting on the ASB's proposals for changing accounting standards in the UK. The conference will review the changes and their impact on reported company profits and balance sheets.
Enquiries: Financial Times
Tel: 01 814 9770
Fax: 01 873 39753969
LONDON

SEPTEMBER 27

Working for your Health
CBI/BUFA Conference considers the benefits and challenges for companies in taking steps to improve employee health. Sir Iain Virginia Bottomley will outline the Government's approach to health in the workplace.
Enquiries: Nicky Martin
CBI Conference
Tel: 01 379 7400
Fax: 01 497 3646
LONDON

SEPTEMBER 27-30

FIRE 93
The national conference and exhibition for the whole fire protection profession. The Scottish Exhibition & Conference Centre, Glasgow.
For free exhibition admission tickets contact: Jane Malcolm-Cox, FMA International Publications Ltd.
Tel: (0737) 766611
Fax: (0737) 761685
GLASGOW

SEPTEMBER 28

How Much is your Business Really Worth?
An invaluable one-day seminar covering all aspects of valuing your company and its assets. Bartle Parnell, executive chairman of Livingstone Parnell plc is the speaker. Enquiries: Director Conference
Tel: 073 0023
LONDON

SEPTEMBER 28-29

FURNACES 88
Rubbish and Conferences.
The event for thermal processing specialists.
St. John's Swallow Hotel, Solihull, West Midlands, England.
For free exhibition admission tickets contact: Lorraine Rogers, FMA International Publications Ltd.
Tel: (0737) 766611 Fax: (0737) 761685
SOLIHULL

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SEPTEMBER 28-30

World Mobile Communications
The conference will look at mobile communications growth and technology together with the challenges of developing a mass market product communications system.
Enquiries: Financial Times
Tel: 01 814 9770
Fax: 01 873 39753969
LONDON

SEPT 29/30 & OCT 1

The Health of Nations 1993
Health of Nations: Demand, Cost & Efficiency on policy issues and impact on providers, suppliers and investors. James Watson, Neil Krebs and Judy Chamberlain. This international conference sponsored by The Wall Street Journal Europe, medical, pharmaceutical, health care bodies, consultants and banks. International. City of London.
Tel: 0225-466744
Fax: 0225-462903
EDINBURGH

SEPTEMBER 30

Technology, Exploration and Investment
This one day conference addresses the major issues involved in preparing the business case for investment in technology and new products. For further information contact: Louise Howfield, Institution of Electrical Engineers.
Tel: 044 (0) 71 344 5467
Fax: 044 (0) 71 497 3633
LONDON

OCTOBER 4

Intelligent Buildings Today and in the Future
Distinguished experts from the field will present an exciting view into the future of intelligent buildings and their likely influence on our lives and businesses. Aimed for strategic decision makers, architects, engineers, property developers, system manufacturers and suppliers, and others.
Contact: Elaine Taylor.
Tel: 021-331 5113 Fax: 021-335 9915
University of Central England in Birmingham
BIRMINGHAM

OCTOBER 4-5 & 6-7

Total Quality Management: The Right Way to Manage
William E. Conway
Bill Conway, the first Western CEO to implement the Deming philosophy in the West, will present his Right Way To Manage Seminar. People of all levels can learn from his knowledge and turn philosophy into practice.
With Oats & Associates Ltd.
Tel: (0631) 835058
Fax: (0631) 835972
BIRMINGHAM

OCTOBER 13

Activity Based Budgeting
Scenic Crown Road, Victoria
This new and effective approach to planning, budgeting and control reduces costs and supports continuous improvement.
Contact: Bryan Morris, CIMA Manchester.
Tel: 017 917 5244
Fax: 017 380 6991
LONDON

OCTOBER 13

Pension Funds - The Current Challenge
Alexander Maxwell Should the Finance Director and Treasurer also be a pension manager? This conference will discuss guidelines set out by the Government and provide a valuable source of information on current thinking.
Contact: Charlotte Lambert, Association of Corporate Treasurers.
Information: Julia Hetherington Associates
Tel: 017 287 2565
LONDON

OCTOBER 13

Treasury Management for Local Authorities
A review of Treasury products and systems for local authorities and other public bodies such as Health Authorities, Hospitals and Universities. Essential for Treasurers, Controllers and those entering or supervising these functions.
Contact: Ian Dale, The Waterfront Partnership.
Tel: 017 730 0430
Fax: 017 730 0440
MANCHESTER

OCTOBER 14

City of London Derivatives Conference
To be opened by Dr Henry Kissinger this City of London conference covers the markets, their regulation, taxation, their benefits and controlling the risks. Central Bank, The City of London, The City of London Derivatives Conference, The City of London Derivatives Conference, The City of London Derivatives Conference.
Contact: Ian Dale, The Waterfront Partnership.
Tel: 017 730 0430
Fax: 017 730 0440
MANCHESTER

OCTOBER 14

The New Large Aircraft
The new large 600-800 seat aircraft will significantly change commercial aviation. Speakers will discuss technology options and the implications for aviation's infrastructure.
Contact: Royal Aeronautical Society
Tel: 01 499 3515 Fax: 01 493 1438
LONDON

OCTOBER 14

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OCTOBER 14-15

Business Performance Measurement: Identifying and managing the drivers of future profitability
A major two-day international management conference on how and why organisations are becoming more successful. Performance measurement systems to include drivers of future value such as quality, customer service and human capital.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

OCTOBER 11 & 12

Opportunities for Trade and Investment in the Russian and CIS Gas Industry
The 3rd Annual Russian Gas Conference. Convened by The RIA, in association with The Centre for Foreign Investment Privatisation, Moscow. Petroleum Intelligence Weekly and Russian Strategic Services Ltd. Enquiries: RIA Conference, The Royal Institute of International Affairs, Chancery House, 10 St James's Square, London SW1Y 4LE
Tel: 01 557 5700 Fax: 01 557 5710
LONDON

OCTOBER 11 & 12

Managing the Future
The National Charter Initiative's (NCI) fifth National Summit will address the practical issues faced by managers as they fight their way out of recession, and look at the skills and qualities that they will need to help their organisations survive and prosper.
Tel: 01-872 9000 Fax: 01-872 9009
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TRANSFORM - The Systematic Approach to Managing Change
This new course, developed by Robert Gilbreath, world leader in change management, is aimed at executives who realise that success today is dependent on having practical methods and techniques for leading change.
Contact: Richard Wexley, The Federation of Change Management Services
Tel: 0161 778 5656
Fax: 0161 778 5602
LONDON

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OCTOBER 12

Update on Local Government Finance
A complete review including recent changes in the current situation and forecast of Local Government Finance. Essential for Local Government finance executives, Bankers Money Brokers, Housing Associations and Building Societies.
Contact: Investment Education plc.
Tel: 061 833 9656 Fax: 061 834 8050
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OCTOBER 12-14

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Tel: (0904) 627503 Fax: (0904) 627538
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OCTOBER 13

Activity Based Budgeting
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This new and effective approach to planning, budgeting and control reduces costs and supports continuous improvement.
Contact: Bryan Morris, CIMA Manchester.
Tel: 017 917 5244
Fax: 017 380 6991
LONDON

OCTOBER 13

Pension Funds - The Current Challenge
Alexander Maxwell Should the Finance Director and Treasurer also be a pension manager? This conference will discuss guidelines set out by the Government and provide a valuable source of information on current thinking.
Contact: Charlotte Lambert, Association of Corporate Treasurers.
Information: Julia Hetherington Associates
Tel: 017 287 2565
LONDON

OCTOBER 13

Treasury Management for Local Authorities
A review of Treasury products and systems for local authorities and other public bodies such as Health Authorities, Hospitals and Universities. Essential for Treasurers, Controllers and those entering or supervising these functions.
Contact: Ian Dale, The Waterfront Partnership.
Tel: 017 730 0430
Fax: 017 730 0440
MANCHESTER

OCTOBER 14

City of London Derivatives Conference
To be opened by Dr Henry Kissinger this City of London conference covers the markets, their regulation, taxation, their benefits and controlling the risks. Central Bank, The City of London, The City of London Derivatives Conference, The City of London Derivatives Conference, The City of London Derivatives Conference.
Contact: Ian Dale, The Waterfront Partnership.
Tel: 017 730 0430
Fax: 017 730 0440
MANCHESTER

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The New Large Aircraft
The new large 600-800 seat aircraft will significantly change commercial aviation. Speakers will discuss technology options and the implications for aviation's infrastructure.
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Tel: 01 499 3515 Fax: 01 493 1438
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OCTOBER 14-15

Risk On Track for Profit
1993 marks the beginning of the end for state controlled rail monopolies in Europe. The conference will discuss the future of the rail industry, Government directives and profit potential for investors.
For further details contact: Camille Carter
Tel: 01 779 8793 Fax: 01 779 8793
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OCTOBER 16 & 19

International Packaging and the Environment
This conference will look at legislation and the opportunities and problems facing the packaging industry and its customers. Cooperation in the packaging chain, recycling or incineration, and opportunities for new uses of resources will be examined.
Enquiries: Financial Times
Tel: 01 814 9770
Fax: 01 873 39753969
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OCTOBER 16-19

COMEX 93
A three track Mobile Communications International Conference, covering Cellular for the Mass Market, Mobile Data Developments, Wireless Local Loop. Speakers include: Jim Norton, Radio Communications Agency, Thomas Wheeler, Cellular Telecommunications Industry Association USA, Alex Arenas, Hong Kong Telecommunications. Contact: Richard Wexley, The Federation of Change Management Services
Tel: 0161 778 5656
Fax: 0161 778 5602
LONDON

OCTOBER 19

Gas Transmission in the 1990's
Second annual conference examining gas transmission today. Topics include: industry, structure, tariff design, competition, strategies from British Gas, OGEAS, Alliance Gas, EC Commission and Independent Administrators.
ICOM conference Tel: 0236 299072
LONDON

OCTOBER 19

Joint Ventures - The Efficient Techniques
This conference will benefit those considering entering into, or advising on a joint venture, if they want to learn how to maximise the profitability of the venture and minimise the leakage of unnecessary costs. The conference will conclude with two detailed case studies, which will draw together the various points made during the day.
CONTACT: Vicki Coffin, IBC Legal Studies and Services Limited.
Tel: 017 637 4383 Fax: 017 631 3214
LONDON

OCTOBER 19-21

Processing and Packaging Machinery Association: PPMA Show
As exhibitors dedicated entirely to machinery for these two processes and package food, pharmaceuticals, cosmetics, chemicals, beverages, DTY goods etc. Over 400 major machinery manufacturers exhibiting. MANY NEW MACHINES ON SHOW.
The Trade Fair Bill Lane
Tel: 081-681 8226 Fax: 081-681 1641
Telford UK

OCTOBER 20

Manufacturing Matters
To raise the voice of manufacturing and examine the options for industry before the new Budget. Speakers: Rt Hon John Smith MP, Neil Johnson, Howard Davies, Ian Gibson, Sir John, Sir Alanist Moore, President Kent, Dr Ken Edwards. Q&A CENTRE Westminster
Information: Julia Hetherington Associates
Tel: 017 287 2565
LONDON

OCTOBER 20

Project Management in Practice
How is it possible to project the success of a project? What should it achieve? This conference offers practical advice towards project management in aerospace programmes.
Contact: Royal Aeronautical Society
Tel: 01 499 3515 Fax: 01 493 1438
LONDON

OCTOBER 20-21

Know Your Competitors
Competitor Intelligence & Analysis Inc.
A practical two day seminar/workshop from the UK's No.1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence.
Contact: Francis Donnell
BMP Intelligence Service
Tel: 017-487-5665 Fax: 017-453-1640
LONDON

OCTOBER 20-22

Money Market Operations for Public Bodies and Institutions
A practical course on Money Market Operations including the instruments, dealing on the credit ratings, interest and legal aspects. Essential for local government and corporate treasurers and bankers to public bodies.
Contact: Investment Education plc.
Tel: 061 833 9656 Fax: 061 834 8050
LONDON

OCTOBER 21-22

Environment Life Cycle Analysis: Product Impact, Design, Disassembly & Purchasing
Speakers from: US Environmental Protection Agency, SETAC Europe, Body Shop, BP Chemicals, IBM, Unilever, Imperial College, B&W, BMW/Infiniti, Motorola, BP&P, & the Bird Group. Delegates will split into working groups for intensive sessions. Detailed LCA Guidelines Manual plus CD. Manual will be provided. An associated view of the Environment Council. Sponsored by the New Economics Foundation. Contact: Peter Shindell, IBA. Tel: 081 876 3367
Fax: 081 876 3367
LONDON

OCTOBER 21-22

Treasury Management Workshop
Chelsea Hotel
An intensive two day workshop giving a practical overview of the key issues associated with treasury management.
Contact: Bryan Morris, CIMA Manchester.
Tel: 017 917 5244
Fax: 017 380 6991
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OCTOBER 22

Pay 93-94: Achieving Flexibility
Includes latest performance related pay research. N.I.E.S.R., Templeton College, Abbey National, Hay Management Consultants, MSE, East Sussex C.C. New Bridge Street Consultants.
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MANAGEMENT

Governance goes global

Martin Dickson reports on the spread of shareholder activism

In the annals of business history, 1993 may go down as the year that shareholder activism went global.

Over the past few months, at annual meetings around the globe, boards of directors have found themselves facing shareholders who take an active interest in the performance and management of the business - and are willing to cast votes against executive resolutions with which they disagree.

This so-called "corporate governance" movement began in the US about a decade ago and has also become well established in the UK. But it has only begun to put down strong roots in continental Europe and Japan in the past couple of years.

A significant landmark came last December at the annual meeting of the German energy conglomerate RWE, when a German shareholder association's resolution for a one-share, one-vote ballot system was strongly supported by the California Public Employees Retirement System (Calpers), one of the most powerful investors in the US corporate governance movement.

A new report from the Washington-based Institutional Shareholder Services, an independent group which advises large investors on corporate governance issues, says the RWE case is a prime example of an important emerging trend in shareholder voting patterns.

Indigenous shareholder groups are growing up in many countries - ranging from relatively new ones in Australia and Japan to more established European groups - and these



Hanson's sign in London last June: a victory for shareholders

are being supported in "proxy" (shareholder voting) matters by increasingly active (and largely US-based) global institutions.

"These groups are beginning to find common ground on a wide range of corporate governance issues, and their efforts have brought these issues to the top of many an agenda," says ISS.

The report is an example of the increasing sophistication of international shareholder voting. It is the first of a regular quarterly series in

which ISS will review proxy voting trends around the globe, country by country.

This report covers the April to June quarter - the peak season for annual meetings around the globe - and says the most spectacular international corporate governance event was probably the successful fight by investors in the UK and US to prevent Britain's Hanson group restricting shareholders' ability to nominate directors and amend corporate resolutions.

Other examples of international action during the period include: protests by the pension fund for local employees of Caterpillar, the US heavy equipment company about dividend policies at the shareholder meeting of Nestlé, the Swiss foods group; and the defeat of a proposal giving the board blanket authorisation to issue capital at the Dutch chemicals group Akzo.

The survey notes that a significant factor in the rise of the global movement has been the greater efficiency of global custodian banks, whose local affiliates are the holders of records for clients' shares. They have been putting more effort into obtaining proxy voting materials and English-language meeting agendas, and then taking responsibility for executing votes according to investors' wishes.

However, the report also points to a problem facing investors in Japan, where 90 per cent of listed companies hold their annual meetings on the same day in late June.

This year an unprecedented number of foreign institutions tried to cast votes on this day, yet many of the negative votes cast were never tallied at the meetings. Institutions whose votes were "lost" include Calpers, which is looking for answers.

ISS says this strengthens the view of many foreign institutions that their votes are not being handled properly in Japan. "This is most likely true," it adds, "but as much for reasons of unfamiliarity on the part of Japanese banks as outright sabotage."

... but Cadbury leaves a bitter taste

While the corporate governance bandwagon is gaining momentum worldwide, signs of resistance are emerging in Britain.

The problem is not apparent from the numbers. A survey updated last week by accountants Coopers & Lybrand showed that of the 87 FT-SE 100 companies producing annual reports for financial years between December 1992 and April 1993, a record 90 per cent now make disclosures on the subject.

More than 72 per cent also provide some sort of statement of compliance with the code of conduct launched last December by the Cadbury committee on the financial aspects of corporate governance.

This is during the period before a statement of compliance became mandatory for quoted companies - for year-ends after last June.

But a number of the reports express misgivings. Commercial Union warns that implementing some aspects of Cadbury's recommendations "may lead to excessively elaborate procedures and disappointed expectations".

"Most of the advice has been long on accountability and short on encouraging efficiency and enterprise," writes Lord Hanson dismissively in his chairman's statement. BTR reports: "The introduction of a code, however well-intentioned, cannot ensure integrity or competence."

There are greater concerns among smaller quoted companies, many of which complain the code is too costly or irrelevant for their operations.

"The majority of companies want to be seen to be endorsing Cadbury wholeheartedly," says David Pimm, director of Coopers' corporate governance support unit. But he adds that many have had difficulties interpreting the code's guidance on how to define "independent" non-executives, for instance.

Some are also concerned about elements of the code, such as the danger that the provision for non-executives to take independent professional advice may represent "a blank cheque".

Most important, under pressure from industry, guidelines have been delayed on reporting two of the most vital elements of the code - the statement on internal controls and on whether the company is a "going concern". There have been more than 17 drafts of the first of these and they are unlikely to be issued until early next year.

The London Stock Exchange - which can threaten to de-list companies failing to provide a statement of compliance with the code - has reassured company directors that they will not have to comply with these aspects until the guidelines are released.

Andrew Jack

TIPS FROM THE TOP

When commitment heads the agenda

In a new series, Sir Richard Greenbury of Marks and Spencer offers advice on conducting a board meeting

The most important factor governing a successful board meeting is the quality of the board itself. If the members of the board are all people with a strong commitment to the company - and a real knowledge and experience of its operations - then constructive discussion will be possible and sound decisions can be reached.

The balance of the board is also crucial and requires the right number of "heavyweight" non-executive directors to bring an independent viewpoint, experienced judgment and knowledge not available within the company. They must have a range of skills complementary to the expertise of those who have made their careers within the business.

Board meetings must be well-organised, held at regular points in the calendar, and the dates agreed formally at least six months ahead so that no one misses a meeting other than for exceptional reasons. Board meetings can take a long time, so air-conditioned boardrooms, comfortable seating arrangements and modern presentation systems are also important.

There should be a clear agenda determined by the chairman; all relevant papers should be circulated in good time so that everyone comes to the meeting fully prepared. Indeed members of the board submitting proposals for discussion as formal papers should submit them beforehand, thoroughly explaining their ideas.

Board meetings must not be solemn affairs, although they should always be businesslike. There is a place for humour in the boardroom which helps one and all to keep a sense of proportion. Everyone should respect the authority of the chairman, but there is no need for every remark to be addressed "through the chair" which tends to stifle discussion.

The most fundamental requirement of a good board



In arriving at clear, agreed policy decisions the discussion must be completely free; indeed the more controversial the better, provided it is within the bounds of courtesy

meeting is that everyone be encouraged to participate and allowed to express his or her views frankly and openly. In arriving at clear, agreed policy decisions the discussion must be completely free; indeed the more controversial the better, provided it is within the bounds of courtesy.

If debate is lengthy the chairman should sum up the main arguments before requesting a decision. Should a vote be necessary, which hopefully is a last resort, the chairman should be the last one to declare his position.

Once a formal decision is reached, directors are bound by law to abide by it. But it is equally important that they also give full and whole-hearted support. Minority views must be forgotten and for this reason particularly every member of the board needs to voice his or her opinion during the meeting, particularly if it is contentious.

Board meetings should be confined as far as possible to taking strategic and policy decisions. Short separate weekly meetings of executive directors can deal with all sorts of matters

which otherwise would tend to clog up the board meetings. These would include the current progress of the business, any topical issues and the day-to-day running of the company.

Much can be done between board meetings by sub-committees of board members, supplemented by the relevant experts (for example, for capital expenditure, information technology and personnel). These sub-committees should be given the authority to act within strict terms of reference, reporting the action they have taken or requesting approval for significant decisions.

There is no absolute magic formula. Every company has its own culture and metabolism, and different types of business require separate types of management style and approach from the board. Nevertheless all board meetings have the same objectives and responsibilities towards shareholders, staff and customers, and therefore must be conducted with total integrity as well as efficiency.

Next Monday: Sipko Huismans of Courtauld on how to make an after-dinner speech.

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TENDER INVITATION

Assigned by the State Property Agency (SPA)

CMS Management Consultants Ltd

Announces a one-round open tender for the property management of the complete block of the state-owned shares of

CSM Metal Works Ltd
Csepel Pipe Factory Ltd
Csepel Computer Technology and Undertaking Development Ltd.
Csepel Forge Works
CSM Training Company

located at the Csepel industrial site.

SPA will contribute the property to be managed into a company established for this purpose and seeks, by this tender invitation, an experienced entrepreneur with the necessary capital power who can provide the cash portion needed for the establishment of the Company.

Cash needed for being awarded with the property management is at least 2,000 million Hungarian Forints.

The objective of this tender invitation is to stop the further decline of the firms to be managed to stabilize their position, to impede the deterioration of the assets, to start a diversification as well as to keep up long-lasting, viable industrial culture; a further goal is to establish a modern, industrial innovation park without burdening the environment, making use of the existing facilities, in co-operation with the central and local governments.

The State Property Agency takes the obligation to let utilize the privatization income of the companies to be managed to cover the restructuring expenses of themselves.

In the case of profitable performance of the companies, the property manager will obtain annually 5% of the SPA stock block to compensate its management efforts.

The subject of the tender

	Own capital HUF M	Registered capital HUF M	Share of %
CSM Metal Works Ltd	4,609	2,200	100.0
Csepel Pipe Factory Ltd	4,400	1,600	96.6
Csepel Computer Technology and Undertaking Development Ltd	93	60	100.0
Csepel Forge Works	183	400	100.0
CSM Training Company	46	14	100.0
Total	9,326	4,276	

The winner of the tender will have an indirect disposal right to a 69.13% stock block of the HUF 1,594 million value Csepel Power Plant Ltd, as well as 65.8% of the shares of the HUF 39 million value CSM Industrial Association.

The sales revenue of the above firms in 1992 was about HUF 12.139 million. The total employment was in 1992 approx 5,100 persons.

Conditions of tender submission

The tendering procedure will be performed on the basis of the Tender Rules of the SPA. Details of the Tender Invitation and assigned by SPA to conduct the tendering procedure. Address: Rómer Flóris u. 16, Budapest, H-1024 Phone/fax: (361) 1159293, (361) 135-5573

Conditions

- Certificate about the availability of the cash needed.
- Accurate meeting all rules of tender submission.
- Purchasing of the tender document (price HUF 50,000) and signing a secrecy statement.
- Certificate on the transfer of HUF 10 million or USD 100,000 as retention money in Hungarian Forints to the account of the SPA No. 252-90107-8024, or in foreign currency to the account of the SPA No. 232-90107-8031 in the National Bank of Hungary. On the transfer document make a note as follows: "Csepel Vagyongkezesek".
- Undertaking a binding period of at least 90 days.

Submission of the tender

- Location: State Property Agency, Registration Office (Pozsonyi ut. 56: Budapest H-1133).
- Form: In writing, in Hungarian language, in 5 copies marking one of them as original "credeti", in sealed envelope without the letterhead of the tenderer labelled "Csepel Vagyongkezesek". Deadline: October 28, 1993, 12.00 o'clock, noon.
- The opening of the tenders will be performed in a private sitting, in the presence of a notary, on October 20, 1993, 1.00 o'clock pm.
- For the evaluation of the tenders, the SPA will establish a special committee.
- SPA has the right to request oral or written supplements after opening the tenders.
- SPA reserves the right to declare the tendering procedure unsuccessful.

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Architecture/Colin Amery

Council misses the point

I sense a new harmony in the air. Peace accords between formerly intransigent enemies in the Middle East bring an important sense of hope into the world. Will this optimism bring about a sense of rejuvenation instead of conflict in the world at large? Governments are speaking much more of collaboration between sectors of society rather than confrontation.

Only last week the British government talked of restructuring the urban programme with one co-ordinator, in the shape of Mr John Wakeham, to unite and rationalise all the urban inner city initiatives which have recently flowered in a glorious garden of incoherence. The reconstruction of the cities of Britain needs not just a solid alliance between the public and the private sectors but also a sense of unified direction that is clearly missing at the moment.

It is hard to get the measure of the assured Mr Selwyn Gummer at the Department of the Environment - I detect that he has a high level of concern for his surroundings, not least because he lives in a house designed by S.S. Teulon, one of the most sophisticated and difficult Victorian architects. I wonder whether he will be able to withstand the biased blandishments of the architectural establishment or will he listen to the architects' customers and consumers?

The need in Britain now is not for another development boom that will again take scant regard of the needs of the community, but for a measured and harmonious approach to planning and development in response to some long-term goals.

In the interests of bridge building and harmony and the encouragement of the architect-

tural debate it is worth examining one of the government's more dubious ways of encouraging good architecture through the Arts Council's £200,000 grant programme.

More than a quarter of this money this year has been awarded to one London body, The Architecture Foundation, which is really a centre for fairly arcane exhibitions. A great many of the smaller grants go to the predictable crop of old-fashioned Modernist promoters.

An example of the wisdom of the Arts Council is the decision to give a modest £1,500 to workshops on the Italian Renaissance and £5,000 for an exhibition about post-war British architecture.

There is practically nothing for architectural history of any serious kind, nothing to help encourage better design in private housing, but there is the inevitably politically correct donation to the Women in Construction Alliance.

There is an obsessive belief in the minds of bureaucrats that if there is a hint of public interest in a subject then you must set up a "centre" for it. English Estates has been prevailed upon to give £30,000 towards studies for the establishment of nine architecture centres throughout England.

It is staggering that no grants are given to television, radio, video or other contemporary media that could spread the word about architecture without the need for offices, personnel, endless committees and the inbreeding of art bureaucrats that architecture "centres" will inevitably miss.

The pointlessness of so much that this architecture unit has so far achieved seems to make it an ideal candidate for Mr

Portillo's public spending cutting knife. It will be no loss.

I was fascinated to read that "the majority of people in Britain know next to nothing about architecture" and only 13 per cent of the 1,000 people questioned by Gallup for the Riba Journal, could name three architects. Sir Christopher Wren was recognised as an architect by 32 per cent of the respondents.

This poll asked loaded questions to encourage the continuing protection of the architect's title. How would you answer the question, "Do you think that anyone should be able to call themselves an architect, regardless of qualification?" Of course you would answer "No". But the deregistration of architects currently under consideration does not suggest that anyone can practice "regardless of qualification". If you ask the right questions you get the answers you want.

I am looking forward to the exhibition of the work of that neglected genius of British architecture - Beresford Pite (1861-1934) which opens on 16 September at the Riba Heinz Gallery, 21 Portman Square, London W1, until 23 October.

He was a bridge builder in the sense that his brilliant and more or less unknown buildings attempted to fuse the virtues of Classical and Gothic design in the modern city. He also had a vision of the city and of the need for wholeness and harmony in architecture. His ideas make a great deal of sense today at a time when the architectural establishment seems to find it impossible to believe (in spite of Gallup polls) that the public wants inspiration and harmony - not endless repetitions of fashionable and irrelevant nostrums.



Pite's drawing of St Alban's church, Holborn, is at the Riba Heinz Gallery

Promenade Concerts

Beethoven rolls over for King's

The tradition whereby the penultimate night of the Proms was given over to Beethoven's Ninth Symphony seems well and truly broken. It has to be right that other composers occupy this prestigious date and the choices fell this year on two of England's finest, Byrd and Purcell.

It also - surprisingly - marked the first ever appearance at the Proms by the Choir of King's College, Cambridge. One venerable English institution meets another, the choir being the more venerable by some centuries as it dates back to the time of Henry VI. (Interesting to note that the residential choir school at King's and the Royal Albert Hall both date from the 1570s, when the Victorian patronage of music was at its height.)

There is a point to this historical background. For decades after the war, and even longer before, it was the cathedral and college choirs of Britain that kept the flame burning for the sacred music of composers like Byrd and Purcell. But no more: small, fully professional choirs, such as the Tallis Scholars and the Sixteen, have risen to dominance in this repertoire, particularly in recordings.

To hear the King's choir

again at Friday's Prom in a selection of Byrd's early Latin pieces came as quite a surprise, not necessarily an unpleasant one. The traditional college sound (sweet treble, youthful light basses) is not as focused or concentrated as the professional groups, but it has a natural feel to it. Byrd is hardly likely to have heard his music sung by bands of hand-picked, well-drilled, potential soloists.

Under the direction of Stephen Cleobury, its director of music, the choir gave mostly tidy and sensitive performances of the Byrd and Purcell's *Come, ye sons of art*. The King's style has never involved much digging for expression and its Purcell was on the wan side, light, stylish, agreeable on the surface, but needing a bit more straightforward punch. Of the soloists, Stephen Varcoe bit into his words with most determination.

In between, London Baroque under Charles Medlam played Handel's *Concerto Grosso Op.6 No.6* and accompanied the soprano Lynne Dawson in his motet *Silete venti* - well contrasted pieces, which gave a relatively low programme plenty of variety. Beethoven was not missed.

Richard Fairman

Lit from within by Tortelier

At the Proms last week, the BBC Philharmonic's programme might have been designed to show off its newly dazzling prowess - and why not? From 1834, it used to be the "BBC Northern Symphony" (though the Proms programme-book preferred not to mention that too reminiscent, no doubt, of routine Radio 3 broadcasts at unfavourable hours). More recently, up to last summer, Sir Edward Downes - a great orchestral trainer - re-made the band entirely, and on Thursday, Yan Pascal Tortelier found himself conducting a brilliantly capable orchestra.

Tortelier's father was the great French cellist, Paul. Among conductors in Britain today, only Yan Pascal (and on good nights, the American Andrew Litton) can boast so stylish a command of the "impressionist" repertoire. That label is a loose one, covering disparate post-Saint-Saëns endeavours - but distinctively French - from old Fauré (a Saint-Saëns pupil) through Debussy, Ravel and Roussel to "Les Six", Poulenc among them, and even to Dutilleul.

Tortelier has the clue to all that light-handed poise, precision in rhythms and colours, transparency, a minimum of "expressive" rubato. In Debussy's *Iberia* those virtues triumphed, in a performance where scrupulous preparation was no less evident than the individual subtleties of the BBC Philharmonic's strong team. Tortelier made his effects, or rather Debussy's, with super-honed tact and grace; they arrived naturally, but always with *ping*. The music seemed lit from within; one heard some of the inner-voice parts and punctuations

as if for the first time. That was intermittently true of Ravel's two-hand piano concerto too. If not every joke came off, more than enough of them did (well beyond far for this tricky score). The orchestra fairly sizzled, and the soloist Jean-Bernard Pommier tried out any number of pithy, personal ideas. In both those works, however, I kept missing the first violins.

From the FT's regular Albert Hall seats, and probably from any seats in Stalls Left since the echo-killing "acoustic mushrooms" on the ceiling were trimmed back last summer, what one sees of the violins is chiefly their right shoulder-blades - and what one hears of them, turned almost 90 degrees away, is faint and elusive.

In Lutoslawski's flashy, exhilarating *Concerto for Orchestra* (1964; the composer has no great opinion of it now), the only fault to find with this Prom performance was that the high strings' silken passages - from where I sat - carried so little weight amid the wind onslaughts. That lack the music with a hard, brassy edge, rawly exciting (it got a fervent reception) but chilly nonetheless. As for Leo Brouwer's guitar-and-orchestra arrangements for Julian Bream, of those numbers from Albéniz's wildly plastic *Iberia* Suites, I wished I had heard them on Radio 3 at home. The piano originals are chock-a-block with notes; Brouwer's orchestral translations are apt and sympathetic in principle, but in the Albert Hall they swamped Bream's guitar again and again. They should work far better on CDs.

David Murray

Opera/Richard Fairman

Madama Butterfly

The business of archiving opera has hardly begun in earnest. At a time when productions are expected to be up-to-the-minute in novelty and relevance, it is unfashionable to point out that there is also a case for preserving those thought to have historic value - the Royal Opera's *Tosca* and *Don Carlos* come to mind.

Perhaps a start is being made. To open the new season, the Royal Opera is bringing back its old production of *Madama Butterfly*. No reason has been given. It may be that its intrinsic quality makes it a special case. More likely, its replacement was deemed unworthy of further revival. Either way Sophie Fedorovich's sets from 1960 had fortunately been kept in a warehouse and now look fresh and nicely styled.

After a production which had *Butterfly* living in a squalid, modern tenement block, they make one realise how important the right time and place are in this opera. The social background of turn-of-the-century Japan is essential if *Butterfly* is to be an outcast, left to live and die alone. The very privacy of her feelings, what the character is about and it is an irony that Puccini's music should come from the most outgoing, emotive operatic style of all: therein lies the opera's great emotional tension. At least, in a good performance it

should feel like that. This one, though better technically than the Royal Opera's previous revivals, was unimpressive. After some of the Puccini conducting heard at Covent Garden of late, Carlo Rizzi's generally idiomatic feel for the score was a step in the right direction. He likes a firm and concentrated Puccini sound, and the orchestra played well for him. Diana Soviero is an American soprano with an Italian-sounding name and voice, like Anna Moffo before her or Catherine Malfitano (also a Royal Opera *Butterfly*) today.

The number of times she took breaths to prepare for a top note suggests some degree of strain in tackling the role; otherwise she has sufficient power for it, a cutting edge to the tone, the ability to make the words tell. But I was always aware of a singer and actress at work. Her predecessor here, Yoko Watanabe, was natural and infinitely more touching. Arthur Davies was again Pinkerton, singing a little more freely than before, though he continues to look uneasy in the role. Alan Opie joined

him as a mellow, thoughtful Sharpless, both of them sounding over-parted in the first act (their roles were taken by Zenatello and De Luca at the premiere, rather more forceful Italianate voices). Anne-Marie Owens's Suzuki alone is all heart, losing none of her warmth in the transfer from English National Opera.

To come out of *Madama Butterfly* not even to have thought of shedding a tear is a bad sign. The staging by Richard Gregson is said to be new, but it keeps to the obvious until the end, when *Butterfly* flings her screen aside and writhes around in agony on the floor for all to see, providing a final shock-horror tableau. If there was an archive film from 1950, it would surely have preserved something more affecting.

Theatre/Malcolm Rutherford

A slice of Saturday night

A *Slice of Saturday Night* by the Heather Brothers has joined the long list of musical shows now running in London's West End and may well stay for some time. The best non-sung line comes at the end when Dennis Waterman, playing the ageing club-owner, bouncer and performer, Eric "Rubber Legs" De Vane, says of his establishment: "It's one of life's big finishing schools."

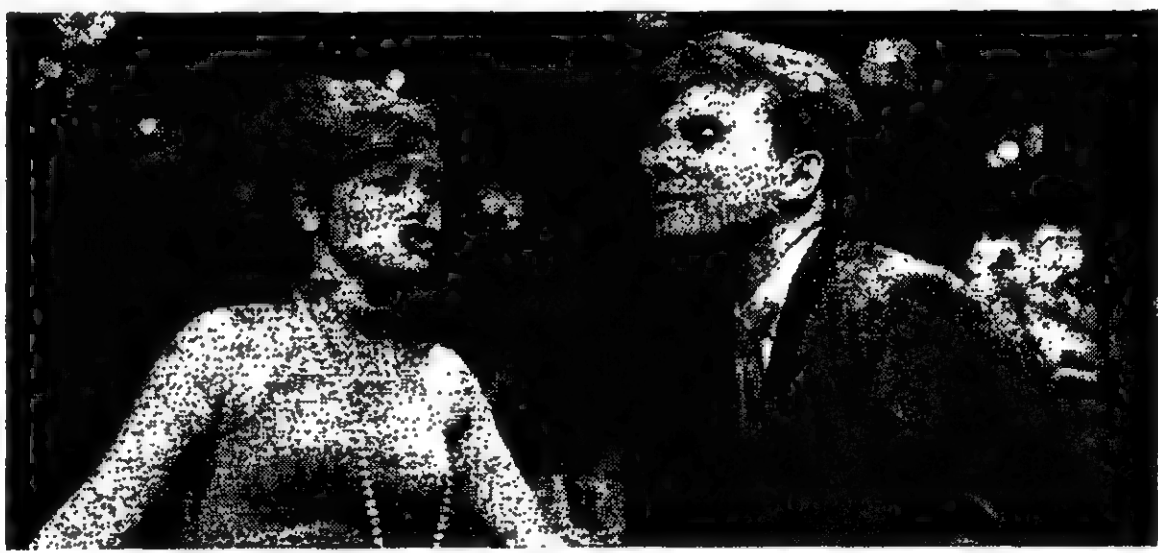
Certainly that's the way it seems. People in the 1990s look back at the 1960s just as people who grew up in the 1960s looked back at the 1920s: nostalgia for a romanticised age. *Slice* does not quite repeat the old songs. It consists of a series of derivatives, some of them mildly satirical. It also has just the touch of a clever plot: an

unattractive youth, played with the utmost professionalism by Peter Hepthwaite, wagers that he can make Frieda Bridget (Judith Ellis) before the night is out. He doesn't.

The young pop star, Sonia, sings and plays the 17-year-old Sue with huge assurance. On the first night an audience of all ages was delighted, especially in the second act. It is during the interval that the show takes off.

The Heather Brothers already have *Lust*, the musical of *The Country Wife*, running at the Haymarket. Tomorrow comes the revival of one of the biggest 1960s musicals of all: *Bob* at the Old Vic.

Strand Theatre, London (071) 248 0300



A slice of the Sixties: Sonia and Danny McCall mix nostalgia and satire at the Strand Theatre

INTERNATIONAL ARTS GUIDE

BERLIN

BERLIN FESTIVAL

● This year's theme is Japan and Europe. Zeami-Za Noh Theatre is in residence at the Deutsche Oper from Thurs till Sun. The Tokyo Ballet begins a three-week residency next Tues with the first European performance of a new Béjart work inspired by mythology. Martin-Gropius-Bau has an exhibition entitled Japan and Europe (1543-1929), with more than 500 objects tracing the development of Japanese art and the influence which Japanese and European artists have had on each other. ● This week's concert programme is dominated by two Berlin Philharmonic performances of Bruckner's Eighth Symphony, conducted by Klaus Tennstedt at the Philharmonie on Wed and Thurs. Roger Norrington conducts the Chamber Orchestra of Europe and the RIAS Chamber Chorus in an all-Mozart programme tomorrow and Thurs in the Kammermusiksal. Sat: Milan Horvat conducts Berlin Radio Orchestra and Chorus in

all-Stravinsky programme. Sun (Kammermusiksal): Yo Yo Ma plays all Bach's works for cello, starting at noon. Sun evening: Maurizio Pollini plays Beethoven piano sonatas. Next week's concert features Claudio Abbado, Andras Schiff, Garrick Ohlsson and Julia Varady.

● At the Schauspielhaus, Michael Schoerwandt conducts the Berlin Symphony Orchestra on Thurs, Fri and Sat in works by Rimsky-Korsakov, Shostakovich and Nielsen, with violin soloist Dmitry Sitkovetsky. A concert by the Cracow Philharmonic on Sun morning includes Szymanowski's Second Symphony.

● The festival runs till Sep 30. The festival office is at Budapeststrasse 48 (information 254890; ticket reservations 2548 9100).

OTHER EVENTS

Francisco Araiza sings the title role in Lohengrin on Wed and Sat (also Sep 21 and 24) at Staatsoper unter den Linden, where repertoire also includes *Capuleti e i Montecchi* and a Béjart ballet evening (200 4762). Harry Kupfer's new production of Rimsky-Korsakov's *Tsar Saltan* can be seen tonight at Komische Oper, where repertoire includes German-language stagings of Cav and Pag, Les Contes d'Hoffmann, Gluck's *Orfeo* and Handel's *Giulio Cesare* (229 2555). Theater des Westens has a new production of Cabaret, first night on Fri, with previews tomorrow, Wed and Thurs (3190 3193). Susan Sontag's play *Alice in Bed*, a biographical fantasy about Henry James' tragic sister, receives six performances at Hebbel Theater

starting on Wed (251 0144). The ensemble of the Deutsche Oper is in Japan till mid-October.

NEW YORK

THEATRE

● The Hamlet Festival: a series of events built around the second-act version of Shakespeare's play directed by Randolph Curtis Rand. Also featured are Tom Stoppard's play *Rosencrantz and Guildenstern are Dead*, weekend cabaret performances of Arden Party's *Hamlet* solo and Gertrude's *Revenge* by Janice Hoffman. Till Sep 26 (various venues, 420 1466).

● The First Lady: Eric Bentley's version of the Weisand play, presented by Jean Cocteau Repertory (Southeast Lane Theatre, 330 Bowery at Bond St, 677 0060).

● Later Life: A.R. Gurney's new play about the reunion after 30 years of a man and woman who were once in love (Westside Theatre, 407 West 43rd St, 307 4100).

● Shakespeare for My Father: a marvellous one-woman show in which Lynn Redgrave views her own life in a search for her unloving father Michael Redgrave, plus reminiscences, impersonations and passages from Shakespeare (Helen Hayes, 240 West 44th St, 944 9450).

● Angels in America: the first half of Tony Kushner's epic, breathtaking play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200).

● Annie Warbucks: Kathryn Zarembo, an infant phenomenon if ever there was one, has the title role in this beguiling sequel to the

musical *Annie* (Variety Arts, Third Ave at 14th St, 239 6200).

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200).

● Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver (Broadhurst, 235 West 44th St, 239 6200).

OPERA

State Theater New York City Opera's first new production of the season is Tippett's *The Midsummer Marriage*, conducted by Christopher Keene and staged by Francesco Zambello. This week's repertoire also includes Turandot, *Madama Butterfly*, *Carmen* and *The Mikado* (870 5570).

Metropolitan Opera The 1993-4 season opens on Sep 27 with a gala celebrating the 25th anniversary of the Met debuts of Luciano Pavarotti and Plácido Domingo (362 6000).

CONCERTS Avery Fisher Hall The New York Philharmonic Orchestra launches its new season on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, with violin soloist Itzhak Perlman (875 5030). Carnegie Hall The season opens on Sep 23 with a concert by the Philadelphia Orchestra conducted by Wolfgang Sawallisch, with violin soloist Midori (247 7800).

JAZZ/CABARET Blue Note Beginning tomorrow, a double-bill featuring drummer Billy

Cobham and his trio, and the Larry Coryell duo, with guitarists Coryell and Vic Juris (131 West 3rd St, near Sixth Ave, 475 8592).

Carlyle Hotel Beginning tomorrow, the Carlyle welcomes back Barbara Cook, Broadway ingenue turned cabaret legend (Madison Ave at 76th St, 744 1600).

Michael's Pub Beginning tomorrow, Mel Tormé begins an engagement. His two great treasures are his resilient, rhythmically agile voice and his collection of American songbook standards, all good old-fashioned entertainment (211 East 55th St, 756 2272).

PARIS

MUSIC/DANCE

● Charles Dutoit conducts the Orchestre National de France tonight at Théâtre des Champs-Élysées in works by Ravel, Bartok and Rakhmaninov, with violin soloist Shlomo Mintz (4230 1516).

● The 1993-4 season of the Orchestre de Paris opens at Salle Pleyel on Wed with a Richard Strauss programme conducted by Semyon Bychkov, featuring Maria Ewing in the final scene from *Salome* (repeated on Thurs and Sat afternoon). In next week's programme, also devoted to Strauss, Margaret Price is soloist in the *Four Last Songs* (4561 0630).

● A new production of Der Fliegende Holländer, conducted by Myung-whun Chung and staged by Werner Herzog, opens the season at Opéra Bastille on Sep 23, with a cast led by Falk Struckmann and Sabine Haas. Roman Polanski's production of Les Contes d'Hoffmann is revived

on Oct 9 with David Rendall in the title role (4473 1300).

● The Châtelet opens a Richard Strauss cycle on Sep 24 with the first of five performances of a new production of *Der Rosenkavalier*, conducted by Armin Jordan and staged by Adolf Desormière. The cast is led by Felicity Lott, Randi Stone and Kurt Rydl, and the orchestra is the Philharmonie (4028 2840).

● The dance season at Palais Garnier opens on Sep 29 with a gala featuring choreographies by Bessy, Lander and Forsythe (4742 5371).

FESTIVAL D'AUTOMNE

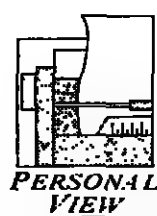
The festival opens on Sep 21 with Bob Wilson's stage adaptation of Virginia Woolf's *Orlando* starring Isabelle Huppert. The production, first seen last year in Lausanne, runs till Oct 24 at Opéra-Théâtre de l'Europe (4441 3636). Maurizio Kagel's *Varied*, described as a concert spectacle for artists and musicians, runs from Sep 22 to 25 at the Opéra Comique in a staging by Werner Herzog (4286 8883). The festival, which runs till Dec 30, also includes Büchner's *Wozzeck* staged by Jean-Pierre Vincent, Giorgio Strehler's touring production of Goldoni's *Le baruffe chiozzotte* and Peter Sellars' modern English-language version of Aeschylus' *The Persians*. The dance programme features Twyla Tharp, Lucinda Childs, Bill T. Jones, Jan Fabre and Anne Teresa De Keersmaeker. The music programme has an American slant, with a special focus on Steve Reich, John Adams and John Cage (information: 4296 9694).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030



PERSONAL VIEW

What developments might have the biggest potential impact on financial markets? Experts typically cite innovations such as exotic derivative instruments or asset securitisation or greatly expanded international trading activity. But in the US at least, arguably the most significant development is the enlarged role of the household sector as a financial risk taker.

Millions of people have branched out from passively holding bank deposits and indirectly owning securities through such intermediaries as pension funds to becoming direct participants in financial markets - and thus are exposed to risks beyond those they are accustomed to.

In 1978, American individuals, farmers and small businesses held about 40 per cent of their total assets in deposit form. By the first quarter of 1993, the share of deposits and money funds with no capital risk had dwindled to 24 per cent of total financial assets. In 1978 Americans held only about a third of their total financial assets in instruments directly carrying market risk: 19 per cent in common stock, 7 per cent in bonds and 6 per cent in miscellaneous assets. Only 1.2 per cent was invested in mutual funds of any kind. Today, assets directly carrying capital risk account for almost 40 per cent of total financial assets. Of that, 16 per cent is in common stocks, 9 per cent in bonds and 7 per cent in miscellaneous assets. Equity and bond mutual funds have surged to 7 per cent.

Mutual funds continue to mushroom - up by an estimated \$22bn (\$14.6bn) a month so far this year, a third higher than last year's monthly average and four times the \$5bn monthly average posted as recently as 1990. Mutual funds represent the largest institutional buyer of American equities and of tax-exempt municipal bonds, and they rank high as buyers of taxable bonds.

The other significant shift in household portfolios has been the steady expansion of retirement funds. Back in 1978, a fifth of household total assets was invested through pension plans, mostly defined benefit plans for which the sponsoring employer bore the ultimate capital risk on investments. At present, pension fund reserves have risen to about a third of

Age of the risk taker

The changed habits of individual investors have raised volatility

total household financial assets. But an increasing share of those funds represents defined contribution plans, where the worker bears the capital risk on the investments not the employer. Defined benefit retirement plans, which tend to be sponsored by the same large corporations now engaged in restructuring, are shrinking. Over time, a shift toward defined contribution pension plans will leave affected retirees with greater financial uncertainty. Retirement income will depend not only on the type of investments in the plan but also on market conditions when retirement takes place, a significant risk to the retiree.

Personal consumption - a stable economic component - will be more cyclical

ment takes place, a significant risk to the retiree. What are the ramifications of these changes? First, the shift away from deposits, like the shift away from defined benefit retirement plans, is a transfer from obligations assuring the nominal capital value of the assets to those whose future values are unknown.

Mutual funds are see-through institutions, taking no risks of their own. Risk and reward are passed on to fund holders. Banks, in contrast, provide stated returns and interpose their own capital to take additional risks. But mutual fund investors may not appreciate all the risks they are taking on. They may act quite unpredictably if a sudden market upheaval dramatically reveals the true risk.

Second, a large increase in money rates will surely induce significant shifts back into

deposits and money market funds. This may provoke far greater and quicker declines in the value of equities and of bonds than in prior decades, when longer maturity obligations were largely in institutional portfolios. The economic impact should also be quite abrupt. In this new financial world, changes in stock and bond prices will have a more noticeable wealth effect on individuals. Consequently, personal consumption, which cyclically tends to be more stable than other components of economic activity, will take on much more of a cyclical hue.

For central banks, all this will pose unfamiliar challenges. A sharp shift by households out of mutual funds into deposits and money market funds will hurt bond and stock markets, but will increase the growth of money. Will this be interpreted as a symptom of future economic growth or a precursor of contraction?

Indeed, the greater volatility coming from these structural changes may well induce public pressures for greater official intervention in the financial markets. Whipsawed by greater swings in their financial wealth, investors may demand that the government find a way to intervene in segments of the financial markets heretofore considered off-limits for "open market operations", notably the equity market.

This is not going to happen today or tomorrow, but if reports from Tokyo earlier this year are right, the Japanese government purportedly persuaded state pension funds to step into the Japanese equity market to give stock prices a lift. Who is to say that a similar form of intervention could not be devised in, say, the US or UK?

Lately, we have seen the pleasant side of volatility, rising stocks and bond prices with just occasional interruptions. But the dark side of volatility is bound to come again. When it does we may get the answer to what will be the central question - whether economic growth is sustainable if the financial markets are challenged by a rise in interest rates and households are threatened more directly than in the past by a decline in the value of their financial assets.

Henry Kaufman

The author is president of Henry Kaufman & Company, Wall Street economic consultants

Mrs Gro Harlem Brundtland, Norway's prime minister, today expects to pull off a remarkable electoral feat.

Her Labour party, at present a minority government, is confident of returning to power, despite being out of step with most voters on the main political issue facing the country - Norway's application to join the European Community.

To compound the conundrum, pro-EC Labour not only appears set to succeed, but intends to rely for a parliamentary majority on the tacit support for most policies of two of the country's staunchest anti-EC parties.

This odd state of affairs suggests that the chance of Norway becoming an EC member has receded as a result of the election. A poll late last week showed a 54 per cent majority against membership, with support slipping to 23 per cent. It also showed only the slimmest of margins in favour among Labour's own supporters.

But the pro-EC camp in Oslo, including the main opposition Conservative party, has not abandoned the prospect of winning a referendum to decide the issue, likely to be held within the next two years. From this point of view, the vital campaign to reverse Norway's narrow rejection of membership in 1972 will only start in earnest after today's election.

Certainly, neither Labour nor the Conservatives have made any attempt to address the EC debate in the election campaign. On the contrary, they have deliberately sought to avoid it, knowing that at this stage it is a vote-loser.

"The parliamentary election is not a stopping place for the EC debate," Mrs Brundtland told anti-EC fishermen in Finnmark in Norway's arctic north. "That will be for the referendum to decide."

Nevertheless, smaller parties which oppose Norwegian accession - for economic reasons as well as fears of a loss of independence - have suffered no such inhibitions. The two to which Labour will look for parliamentary support, the Socialist Left party and the Centre party, have campaigned almost exclusively on an anti-EC ticket and have boosted their standings in the polls as a result.

The agrarian Centre party, which even wants to undo Norway's participation in the European Economic Area

Norway's next government will find the EC hard to sell, say Hugh Carnegie and Karen Fossli

Out in the cold on a hot debate



agreement with the EC, looks set to double its vote from the 8.5 per cent support it won in the 1989 election.

Labour, however, is unperturbed. Instead it has been encouraged by the way

Some, both inside and outside the government, think public opinion can be swayed

its support as the biggest party has held up in the polls and even strengthened in the latter stages of the campaign, while support for the Conservatives weakened.

A poor performance by the Conservative leader Mrs Kaci Kullmann-Moss was the leader of the Centre party is also a woman, Ms Anne Enger

Lahnstein - helped Labour. So too has an upturn in the oil-dependent economy, which has allowed Labour to continue an expansive fiscal policy while its Nordic neighbours and fellow EC applicants, Sweden and Finland, have been going through painful recessions.

Above all, Labour has the asset of Mrs Brundtland, who has achieved commanding stature in Norwegian politics since she first became prime minister in 1981. Like Mrs Margaret Thatcher in Britain in the 1980s, she is not so much loved as respected for her determination and her projection of Norway's interests internationally.

Her status now almost transcends party politics. In fact, she gave up the position of formal party leader to Mr Thorbjørn Jagland almost a year ago after her son

committed suicide, partly to leave herself more time to devote to the European question.

There is now a common belief, even among her Conservative rivals, that she is the only leader with a realistic prospect of persuading Norwegians to accept EC membership. The question is, can she turn around public opinion, which has consistently hardened since she delivered Norway's application in April.

Her own personal commitment to the need for Norway to join the Community is not in doubt. Her dodging of the topic during the election campaign is accepted by both pro-EC Norwegians and European diplomats as a necessary election tactic.

Assuming she wins today, the next step in the strategy is to negotiate an accession agreement with Brussels which she can recommend as a good deal for the country on the central matters of public concern - oil, fisheries, agriculture and regional policy.

Only when, or if, that is accomplished, will Mrs Brundtland set a date for the promised referendum and begin to take the offensive in the membership campaign.

There is no doubt that this will be a hard slog in the best of circumstances. Many senior figures in Norway and

Conventional wisdom says the odds remain against Norwegian accession

throughout the Nordic region have, in private, almost written off the prospect of her achieving the membership goal. A top pro-European politician in Oslo is said to have told diplomats he does not believe the fight can be won. During the summer, a leading Nordic minister expressed scepticism over the

sincerity of Norway's application.

Yet, there are those both inside and outside the government who think public opinion can be swayed. In their view, an acceptable accession agreement may not prove as hard to win as has tended to have been assumed.

On the highly sensitive question of fishing, Norway has already agreed a series of cod quota increases for EC vessels in Norwegian waters under the EEA agreement, and diplomats say the Community is unlikely to seek further increases. Furthermore, they say, Norway's demand for free access to EC markets for its fish and fish products is likely to be met from the day of accession, notwithstanding some objections on Norway's large salmon output.

The issue of subsidies for Arctic and sub-Arctic farmers and for thinly populated regions is a common obstacle in the negotiations for all three Nordic applicants. Politicians in the three countries, however, hope that expressions of understanding among EC leaders of the special natural circumstances of the north will translate into an acceptable deal.

For Norway, there is also vital concern about North Sea oil. Mrs Brundtland has warned that a proposed EC licensing directive setting out rules on open competition for exploration licences, would be seen as an encroachment on Oslo's control over its most valuable resource and would damage the image of the EC in the run-up to a referendum. She wants it postponed and has won some support, notably from Germany and Denmark.

If these questions can be ironed out, the optimists hope, then the focus of the EC debate can be directed towards the broader political and security benefits of membership, which are much more fruitful ground for the pro-EC camp in a country which is a long-standing Nato member still concerned about its border with Russia.

Oslo would also hope to hold its referendum after "yes" votes were secured in neighbouring Sweden and Finland, adding momentum to the "yes" campaign in Norway. In the meantime, however, conventional wisdom says the odds remain against Norwegian accession. Today's election is likely to reinforce that view. But for Mrs Brundtland and the other pro-EC forces, the real battle has yet to be fought.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Investment in airline not aid

From Mr François Eidin.
Sir, You quote the chairman of British Airways ("BA presides for curb on European subsidies", September 10) as saying that "some \$3bn have been pumped into three European airlines in the last three years" and, further on, Paul Betts writes that these \$3bn are "state support to Air France, Sabena and Iberia". This is not true. Air France has not received any "state aid" in the past years. In 1991 we launched a FF2bn rights issue and the French state, our main shareholder, subscribed as any private shareholder would have done to help finance major investment.

The European Commission screened this rights issue and publicly concluded, in July 1992, that it was not state aid. François Eidin, vice-president, corporate communications, Groupe Air France, 1 Square Max Hyams, Paris, France

Independent bank is right for democracy

From Mr Allan Leonard.
Sir, In reading Mr Gerald Holtham's article, "No case for independent central bank" (September 3), I could not help but ask myself some elementary questions about fiscal versus monetary policy. Specifically, how democratically responsible would it be for a new government to reverse all of the fiscal policies of a prior government, without a check on the monetary side of the equation?

If there existed a constitutional guarantee that all

elected representatives would pursue anti-inflationary policies, then a non-independent central bank would be tenable. Otherwise, a government which controls both fiscal and monetary levers will always be susceptible to mismanagement.

The economic performance of a country is too important to be completely manipulated by the government of the day.

Allan Leonard, 133 Amory Street, Cambridge MA 02138, US

An example to follow

From Mr P G Chidzey.
Sir, Your survey of Northern Ireland (September 9) was both interesting and informative. One cannot but think that if a political solution to the problems besetting the country could be found great improvements would be made. At a time when both South Africa and Israel have thought the unthinkable and negotiated with their enemies and brought political solutions in sight, should not our government similarly buckle down to finding a political solution in Northern Ireland?

Perhaps the foreign secretary could devote more of his efforts to this very worthwhile end. This government could come to some sort of an arrangement in Northern Ireland I am sure it would reap huge political gains and might even go some way towards solving its long-term financial problems. P G Chidzey, Mayor, 116A Aynard Park Road, Twickenham, Middlesex TW1

No BR pot of uncollected gold

From Mr John Nelson.
Sir, In reply to Graeme Thomson (Letters, September 8), there is no rainbow's end where a pot of uncollected revenue awaits discovery. Surveys confirm the success of our penalty fares scheme and deployment of revenue protection staff, on Network SouthEast ticketless travel is

down from more than 4 per cent to 2 per cent. This represents \$20m a year of extra income to us. There is no sense in spending more to catch fare dodgers than we collect from them.

John Nelson, managing director, Network South-East, 1 Eversholt Street, London NW1

Sanctions not the answer to halting decline in rhino population

From Mr Roger Bate.
Sir, The sanctions ("US to impose sanctions on China and Taiwan over rhino trade", September 8), if forthcoming, will undoubtedly reduce the volume of rhino horn reaching China and Taiwan. However, they are also likely to result in a further decline in rhino populations.

The price of rhino horn will rise, on an increasingly clandestine market, thereby encouraging further poaching

activities. The horn is prized in Asia as a fever remedy. However, the lack of a legal market (or an illegal outlet in Asia) renders a lucrative commodity worthless to the local people of Zimbabwe, Sumatra etc. Therefore they have little incentive to protect their rhino.

If, on the other hand, local people were allowed to own and trade in rhino horn (at prices up to \$60,000 a kilo) it would provide a powerful incentive for them to protect

their rhinos. For example, white rhino horn can effectively be harvested without killing the rhino. This would have two effects: first, it would increase the rhino farmers' incentive to protect the rhino; second, a rhino without a horn is less attractive to a poacher.

The motive of the US Environmental Investigation Agency is laudable in wanting to maintain the world's rhino population. However, attempting to reduce the supply of

horn will not reduce the demand for it, and will merely increase the likelihood of a faster extinction rate for the rhino.

Allowing trade in rhino horn may offend many people, but it would ensure that a sizeable population of rhinos remains, which is, I presume, the aim.

Roger Bate, environmental research fellow, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB

Commitment remains to supporting reforestation in Ecuador

From Mr Mark Constantine.
Sir, Your article, "When conservation efforts fail to protect" (September 1), does a good job of describing the rapid destruction of the tropical rain forest of Ecuador, but fails to do justice to what could be a model reforestation project - Ecoforest 2000.

There are two factual discrepancies in the article. First, the International Finance Corporation (IFC) has not withdrawn from the project. Rather, IFC will not finance

the project until it has attained assurances that the environmental and social issues that have been raised are addressed. Second, the project has not collapsed. The Durini Group (the company) is continuing to establish plantations to reduce its dependency on primary forest wood sources, although without external financing, progress will proceed at a much slower pace.

At a public forum held in Quito in April 1993, results of an independent review of the

biodiversity and social impact aspects of the project were presented. The meeting provided an opportunity for a broad spectrum of local and international non-governmental organisations and representatives of the affected indigenous and ethnic minority communities to present their views on the project. Subsequent correspondence from the participants and other interested parties, with few exceptions, has been supportive to the project, assuming implementation of

the recommendations of the independent review. The IFC remains convinced of the merits of the project. Ecoforest 2000 will result in the reforestation of 5,000 hectares of degraded land, provide a long-term sustainable supply of wood, and eventually eliminate the company's logging in primary tropical rainforest. Mark Constantine, manager, corporate relations, IFC, 1850 I (Eye) Street NW, Washington DC 20433, US

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FINANCIAL TIMES

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Monday September 13 1993

Trading with Vietnam

THE TIME has come for the United States to establish normal relations with Vietnam. The war against Ho Chi Minh ended 18 years ago; west Europeans did not wait half as long after the death of Hitler before starting to do business with the Federal Republic of Germany. Admittedly there are difficulties specific to America. Vietnam has not become a peace-loving democracy, as west Germany did. Some US veterans cannot forget that their forces were unable to defeat a third-world army. Such nightmares are not easily exorcised.

Yet if South Africans can negotiate the handover of power from white to black, and Israel can recognise the Palestine Liberation Organisation, it should be possible for President Clinton to complete the slow process of reconciliation that was initiated by his predecessor. Mr Clinton could demonstrate such an intent by allowing the embargo on US trade with Vietnam to lapse tomorrow.

All the pieces are in place. Just before he left office, President George Bush amended the embargo to allow companies to sign contracts with and open offices in Hanoi, in anticipation that the ban on doing business with this former enemy would eventually lapse. Large US corporations, including IBM, General Electric, BankAmerica, Citibank, and Caterpillar have shown interest; most of them have already set up shop in Vietnam. American business is not saying "hell no, we won't go." On July 2 Mr Clinton lifted the US veto on lending to

Hanoi by the International Monetary Fund, the World Bank, and like institutions. On July 18 the first US diplomat sent to the Vietnam capital in 40 years arrived, albeit accompanied by a statement from Washington to the effect that his sole purpose was to help account for US servicemen listed as missing in action (MIAs).

Intimations that in spite of all this Mr Clinton may be hesitating at the next hurdle are only partly explained by the president's record as a youthful opponent of the war. The MIA theme, which arouses strong emotions, is played upon by Mr Ross Perot, who may re-emerge as a future presidential candidate. Many veterans and ex-prisoners, including a significant group in Congress, have accepted that Hanoi is co-operating in efforts to trace MIAs - but some organisations, notably the American Legion, persist in their opposition to an early resumption of trade with Vietnam.

Mr Clinton, whose priorities are health care reform and the North American free trade area negotiations, is understandably cautious about this south-east Asian horrid mess. He is anxious to avoid further defeats in Congress. The psychological damage done to the American nation by its experiences, at home and abroad, during the Vietnam struggle runs deep. Yet in June he stood before the Vietnam veterans' memorial and said disagreements over a war fought two decades ago should not divide Americans as a people any longer. He must now find the courage of his convictions.

UK labour laws

BRIAN MAY or may not need another round of employment legislation, but it urgently needs rationalisation of the law which already exists. This is the message coming from Britain's engineering employers.

A sound framework of employment law would protect employees and employers from unfair behaviour, without placing undue burdens on employers. The rights and duties of both parties to the employment contract should be expressed as clearly as possible.

The foundations of British employment law are still rooted in a law of contract which requires many of the rights associated with collective organisation to be expressed as immunities from breach of contract. Britain has a system of "collective laissez-faire" which for nearly 100 years has kept the law to a minimum, but which has also encouraged unions and employers to slug it out at the workplace.

The basis of collective laissez-faire is being eroded by the decline of trade unions and the creation of new rights for individuals at the workplace. Contrary to much of the rhetoric at last week's TUC Congress in Brighton, most non-unionised British workers do not stand unprotected before the whims of their employers.

But the main problem is that employees' understanding of their rights and their enforcement through the courts or industrial tribunals is increasingly defective. The Engineering Employers Federation argues that because of the

way statutory provisions are drafted and amended, and because of the accumulation of case law, the understanding of subjects like maternity rights or redundancies has become increasingly problematic. At the same time, the industrial tribunals themselves have become bogged down in legalism, causing delays and uncertainty.

The answer the EEF proposes is regularly updated codes of practice on employment law which would have greater authority than case law and would help unblock tribunals. One way forward would be for the government to conceive a form of Citizen's Charter for the workplace, setting out employee rights, to be attached to each employment contract. It could be supplemented by a voluntary code of practice, on matters such as employee consultation which are not covered by the law.

A more contentious notion would be to convert existing collective immunities into individual rights, although that would raise the difficult issue of a right to strike, or perhaps more precisely a right not to be dismissed for striking for a certain period of time. To balance any such right, the government could restrict strikes in essential services and give employers greater flexibility in changing employment conditions without being subject to unfair dismissal proceedings.

The EEF paper stops short of considering these complications. But it is a worthwhile contribution to which ministers should give serious attention.

Nelson's task

SMALL BRITISH businesses had a rough time during the recession. Many went under when banks called in their loans. And although the banks have come in for criticism for being too ready to pull the rug from under entrepreneurs' feet, the losses on their lending to small companies show they too have not fared well. With banks reluctant to extend more short-term finance to small businesses, there is a danger the economic recovery will be blighted.

Mr Kenneth Clarke, the chancellor, was therefore right last week to initiate a review into the financing of industry. Small companies are excessively reliant on short-term overdrafts, which can be called in at the first hint of trouble. It would be better if they could raise longer term equity and debt finance.

Mr Anthony Nelson, the economic secretary, who has been given the task of conducting the review, will find no shortage of ideas as he tours the country over the coming months. Business lobby groups have been quick to trot out ideas such as increasing capital allowances for small companies. Another idea came earlier this year from Mr Brian Pearce, Midland Bank's chief executive, who called on government to subsidise small business loans and give tax relief on investment by individuals in industry.

Many of these suggestions smack of special pleading. Rather than devising yet more tax reliefs and subsidies, Mr Nelson will

probably find it more fruitful to identify how current tax breaks distort investment flows.

If small businesses are to make greater use of venture capital, their attitudes will have to change. At present, many entrepreneurs are not willing to dilute their control by selling equity stakes to outsiders. The way in which tax reliefs favour the institutionalisation of savings will also merit attention. Once the nation's savings are sucked into large institutions such as pension funds, they too seldom find their way to small companies in the form of equity finance. It is not worth the management effort of big institutions to invest in and monitor a large collection of tiny projects. Such investments, though, might be just the thing for wealthy individuals.

Any attempts to de-institutionalise savings will be contentious. When the then Mr Nigel Lawson as chancellor tried to do so in the 1980s, the powerful pensions lobby scotched his plans. Since then, the government has trimmed pensions tax relief in a piecemeal fashion, an approach which has had no overall logic apart from raising cash for the exchequer.

The arguments for reforming the taxation of savings are finely balanced. But there can be no radical change in the way companies are financed so long as the institutionalisation of savings persists. The question is whether the government has the stomach for a fundamental rethink.

Long after the hullabaloo surrounding today's peace deal between Israel and the Palestinians fades, one image may linger in Middle Eastern minds: that of a lonely farmhouse in the Norwegian countryside outside Oslo.

It was in such a place - or a number of such places - that senior officials from Israel and the Palestine Liberation Organisation set out earlier this year towards their historic agreements on mutual recognition and on Palestinian self-rule in the West Bank and Gaza Strip, conquered by Israel in 1967.

Although assisted by low-key Norwegian mediators, they did it in direct talks, without the participation or knowledge of any of the powerful outsiders, from the US, Europe or the moderate Arab states, who have expended such vast amounts of time and energy in seeking a settlement to the Middle East's most intractable conflict.

Today, as the deal is consummated with a glibly signing ceremony in Washington, the discussion in that farmhouse seems a more telling pointer to prospects for the wider region. The PLO and Israel had to look one another in the eye, essentially in solitude, to begin to overcome decades of hostility. So, too, the Israelis and the other Arab states - traditionally obsessed by internecine rivalry, manipulation of external patrons and empty rhetoric about Arab unity - are now on their own as they seek to chart a way forward to peaceful co-existence.

That is the reality that underlies all the current hyperbole about a "new Middle East", Marshall Plans, high-level western involvement in furthering the peace process, and ambitious regional public works programmes. Western political and financial support can certainly help. But in the end, it is the countries of the region that will determine whether the comprehensive peace suddenly in prospect establishes a mood of trust and mutual dependence rather than simply a grudging and irritable end to hostilities.

Perhaps more urgently than at any time since the end of the first world war, when Britain and France secretly conspired to carve the region's present nation states out of the Ottoman empire, these countries have to discover what they have in common, and how they can live as normal neighbours.

As among the states of western Europe after world war two, the basis for their co-operation will have to be economic as much as political. As in Europe for four subsequent decades, any new order will be in the eyes of Israel and of some Arab governments be constantly subject to an ideological challenge from within and without: that of militant Islam, both home-grown and fomented from the east by the Islamic Republic of Iran.

The question is: are the partners really prepared for peace, for the regional integration this implies, and for the shift in strategic and economic alliances with the world at large which will surely follow?

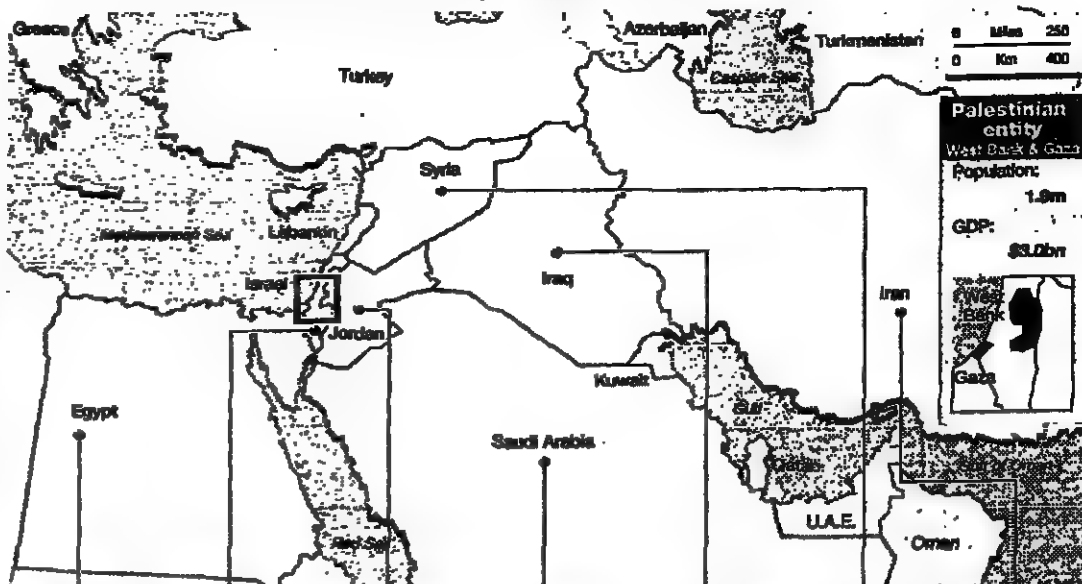
The Israeli government and business establishment evidently thinks so. Mr Shimon Peres, Israel's foreign minister who brokered the deal with the PLO in Oslo, has spoken of a "new era" in regional co-operation with moderates on both sides joining forces to foster economic growth and combat political extremism, and is looking to the European Community to encourage regional integration in a new association agreement. Expectations of the commercial dividends peace could bring have fuelled a 10 per cent rise in the Tel Aviv Stock Exchange over the past two weeks, and have prompted a renewed flurry of interest in Israel, notably on the part of European and Japanese companies. The euphoria is understandable, but premature. Today's signatures in Washington merely begin the endgame of a peace which must be hammered out in detail and sealed in treaties. Jordan, Syria and Lebanon have still to accomplish their first steps along the road: agreement on declarations of principles to guide their own talks.

Even when they have done so -

Now comes the hard part

Mark Nicholson and Andrew Gowers examine the wider implications of the deal between the Palestinians and Israel

Middle East: the search for a stable new order



and the Syrian-Israeli negotiations in particular are likely to be slow and difficult - serious sources of instability in the Middle East will remain unaddressed, notably the Gulf, where Saddam Hussein's pariah state of Iraq has no part in the peace process and Iran is fiercely opposed to it. The race to acquire arms of all kinds continues unchecked all over the region, and could itself become a cause belli if Israel feels compelled to act against efforts by its enemies to acquire weapons of mass destruction.

It is hardly the most auspicious climate in which to embark on an experiment in co-existence. That is, nevertheless, what Israel has set out to create. The hope must be that it can lead through example by transforming its relationship with

will eventually provide for a new relationship based on something resembling mutual respect.

What the Palestinians cannot afford is a complete divorce. Their lives are too closely intermingled with those of the Israelis. For the foreseeable future they will continue to depend on salaries earned by Palestinian workers in Israel, and they will need to maintain the freest of trading links with their Jewish neighbours. If the business of the West Bank and the diaspora are to be encouraged to invest in productive enterprises. The extent to which they see potential returns rather than humiliation in such heavy dependence on their much more powerful Israeli neighbour will in large part determine whether their experiment succeeds.

The Palestinian proto-state will also be heavily dependent on the Kingdom of Jordan to the east, next in line to sign a declaration of principles with Israel. As well as establishing a free-trade zone with Israel, the Palestinians will need liberal trading arrangements across the Jordan river as a conduit to the wider Arab world. The next natural step would be free trade between all three countries - even, Mr Peres has suggested, some form of economic union à la Benelux. Such an agreement, however, will be hard to achieve. A recent Harvard University report remarks that "broad scale free trade between Israel and Jordan would take longer, for Jordanian firms have not until now been subject to Israeli competition".

That is a foretaste of the problems ahead in dismantling the encrusted barriers between Israel and the Arab world. The Israeli economy is twice the size of that of its most powerful Arab neighbour, Egypt, although its population is only one tenth as large. The Arab world has nothing resembling the Jewish state's most dynamic companies. All Israel's relatively impoverished neighbours will be very wary

of allowing their economies to be penetrated by such unsettling forces.

The sole precedent, Egypt's 1979 peace treaty with Israel, is distinctly unpropitious in this regard. Trade and investment flows since have been limited. As important, overall intra-Arab trade and investment is very underdeveloped. For decades, the Middle East has been composed of siege economies with their best talent and the best part of their national resources devoted to war. The vast majority of Arab exports - whether of oil from the Arabian peninsula or of potash, textiles and agricultural produce from the Levant and North Africa - is sold to the industrial countries of the US, Europe and Asia rather than locally. Capital accumulated in

the Arab world has a habit of taking flight to western financial centres rather than being put to productive use at home.

Few Arab regimes have yet got far with structural reforms aimed at invigorating their sclerotic economies. And none of their attempts at creating a meaningful regional economic grouping has long survived the political rivalries and frictions which have always eclipsed economic considerations in their minds.

Arab suspicion of the Israeli embrace is epitomised by Syria, still engaged in an arms build-up and in dispute with Israel over the Golan Heights, captured in the 1967 Arab-Israeli war. Israel has yet to promise a complete withdrawal from the

Golan as demanded by Syria's President Hafez al-Assad. He has not promised the "full peace" - including an exchange of ambassadors and free movement of goods and people - that Israel wants in return. The danger, in Israeli eyes, is that an eventual treaty with Syria will in practice be no better than the "cold peace" with Egypt.

Mr Assad has concerns of his own: in particular, the maintenance of his own power, embodied in one of the region's most repressive regimes. He has recently shed much of his Baath party's quasi-socialist ideology to initiate a cautious programme of economic reform. But this is a far cry from the sort of economic opening that would be required under any broad attempt at regional economic integration. Anything more radical might undermine his military power base. Syria epitomises another reason for caution about the prospects for a comprehensive and durable Arab-Israeli peace: the uncertainty surrounding the present generation of one-man Middle Eastern regimes. President Assad has serious health problems, and the succession to him is impossible to predict. There is a feeling of *fin de régime*, too, in Jordan, whose leader, King Hussein, has recently been treated for cancer. He is busily striving to ensure he will be succeeded by a more democratic form of constitutional monarchy. But his kingdom has an unstable history and his subjects - divided along fault lines of religion and origin - have largely been held together by his personality. Since a majority of the population considers itself Palestinian, any instability in the West Bank and Gaza would immediately infect Jordan's body politic.

In Egypt, the most important and populous Arab country by far, the authority of President Hosni Mubarak is not in immediate doubt. Next month, he is expected to win a referendum and sail into a third, six-year term. But there, too, stability is not guaranteed. Islamic extremism is on the march, with fundamentalist groups conducting violent attacks on western tourists, government ministers and security forces. The government's response has been heavy-handed and unimaginative, and may simply be fuelling the problem.

The regime's difficulties are exacerbated by growing concern about its relationship with its crucial patron, the US, expressed in \$3.3bn (21.5bn) a year of financial and military aid. Paradoxically, a wider Arab-Israeli agreement may diminish Washington's previous interest in Egypt as the only Arab country to have made peace with Israel. Although the Clinton administration has said it will assure this aid through to 1996, there can be no guarantee it will be held at such levels thereafter. Without the US bounty, Cairo's ability to maintain domestic stability and keep the extremists in check would be open to serious question.

In these domestic political and economic problems in the Arab world lies perhaps the most important reason why it is still too early to talk of a new era of peace and economic co-operation in the Middle East. Income disparities between the states of the region, and within them, remain potent sources of conflict and provide nutrition for Islamic opposition to unrepresentative Arab regimes. Iraq, still besieged by United Nations sanctions, continues to fomentate against the wealthy, US-protected Gulf states to its south. Iran, the most populous and powerful Gulf country, is busy rebuilding its military after eight years of war with Iraq and has been identified by Israel and its Arab partners as a serious source of trouble especially in its perceived influence over Islamic movements from Algiers to Amman.

It is in the battle between such forces and the emergent Arab-Israeli "alliance for peace" that the future of the region will be determined. Only when it has been concluded will it be possible to tell whether today's accord represents the first gasp of a new Middle Eastern order or a dying gasp of the old.

The Palestinians will need liberal trading arrangements across the Jordan river as a conduit to the wider Arab world

the Palestinians. If it succeeds, change for the better could radiate into the region, underpinned by the financial might of Gulf states such as Saudi Arabia and by expanding international trade.

The Israelis and Palestinians are the critical test case. In agreeing on self-rule for the Palestinian inhabitants of the occupied territories, the PLO and Israel have opted for a gradual separation between two peoples locked for 26 years in unhappy and unequal marriage.

Provided they can keep their respective extremists in check, and provided Mr Yasser Arafat, the PLO leader, can effect a rapid and visible improvement in economic conditions in the territories, there is a chance that the political separation

Banking on Basle?

Central bank governors from the G-10 countries today turn their minds to the difficult task of selecting a successor to Gerry Corrigan as chairman of the Basle committee of international banking regulators.

Corrigan is stepping down after leaving his job as president of the Federal Reserve Bank of New York, but there has been no clear front-runner in the search for his successor.

Some hot money is on Tommaso Padoa Schioppa, deputy director general of the Bank of Italy, who has already had a stint at the EC in Brussels.

His appointment might provide some consolation for his failure to get the job of governor, which was handed to Antonio Fazio in May this year.

Other international banking mandarins are whispering that the Dutch are vying for a fresh grab at the top seat, though Corrigan's predecessor, the late Hubert Müller, was also from the Netherlands.

Brian Quinn, executive director responsible for banking supervision at the Bank of England, might be considered an obvious candidate for the job.

But his chances have certainly been damaged by the fuss over the BCCI affair. The fact that the first

two Basle chairmen, Sir George Runden and Peter Cooke, were both from the UK, will also not help.

Political prayer

Amid the flurry of recently published political memoirs by eminent Tories - Nigel Lawson, Alan Clarke, Kenneth Baker and soon from the lady herself - there is scant practical guidance for the would-be member of parliament.

That gap is partly filled by a new publication from another long-serving Tory, Ivor Stanbrook, Conservative member for Orpington between 1970-82. He has brought out a timely tome: "How To Be an MP".

The book explains why MPs sometimes appear a rather religious bunch, regularly attending prayers at the start of each day's proceedings.

"Apart from any spiritual value, the practical benefit derived from attending prayers is the right it gives to a member to occupy a particular seat in the chamber for the rest of the day, provided he is present at prayers and inserts a prayer card in the seat."

Grub Street

Observer is surprised to learn that the starting salary for a cook at the New York Times' staff canteen, at \$877 a week, is rather

OBSERVER



"VAT on the winter fuel bill could be the last straw"

more than that for a journalist at the FT's competitor, the Wall Street Journal.

This intriguing disparity has been uncovered by the Independent Association of Publishers' Employees, the union which represents 2,000 employees at Dow Jones, publishers of the Wall Street Journal.

The IAPPE is negotiating a new three-year pay contract with Dow Jones management.

It suggests the disparity between the cooks' and the reporters' salaries supports its proposal to the company's shareholders that any increase in the chief executive's remuneration package should be

no more than that received by employees.

Tunisian parallel

Former president Habib Bourguiba could be forgiven for thinking there is some poetic justice in the fact that the first news of the mutual recognition between Israel and the PLO came from Tunis.

As Tunisian head of state during 1957-87, Bourguiba tried to convince his peers that they would fail to undo what the UN had done; in other words, they would have to recognise Israel.

In Jericho (then part of Jordan) 28 years ago, Bourguiba propounded what he called the "doctrine of stages".

This suggested that the Palestinians should recognise Israel and seek to restore their lost rights by negotiation rather than by war - which they were bound to lose.

For his prescience he was burned in effigy around the Arab world; Nasser plotted to topple him.

Vanity Fare

"I could write a book" runs the old Rodgers & Hart tune. If former IMRO chairman George Nissen should choose to do so he won't have far to look for a publisher - he's just bought one.

Nissen, who fell on his sword in June 1992 in the wake of the

Maxwell scandal, has acquired The Book Guild, one of the UK's subscription publishers.

Unkind fellow publishers not in the subscription game sometimes refer to it as "vanity" publishing, the author pays the publisher to bring out the book.

Not all authors write with the single aim of making a profit, says Nissen, whose company brings out up to 100 titles annually, with print runs as low as 500 copies.

Now if he could be persuaded to sit down and pen his own recent experiences, demand might be a little greater than that.

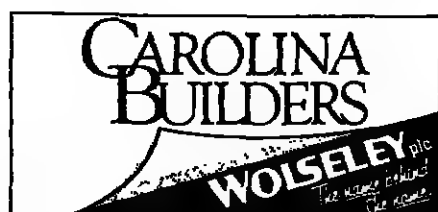
Curdled egg

Those who believed LWT when it called the new telly tycoons its most cherished staff were perhaps a little too gullible.

In case you've forgotten, these were the 54 managers who invested in the station's golden handshakes scheme ahead of the franchise auction in 1991.

Some became paper millionaires last month when their shares became tradable.

Under the scheme's terms, they could not resign and hold on to their share options. But it appears they could still be made redundant; six months ago Alan Wootton, the visual services controller, became an "involuntary leaver". He has retired to enjoy a neat-egg coming to the boil at around £900,000.



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California bows to international pressure over 'discriminatory' system New tax law may appease UK

By George Graham in Washington and Peter John in London

CALIFORNIA tax legislation passed at the weekend is expected to lift the threat of British action against California-based companies operating in the UK. However, the law, which was approved in the California state assembly late on Friday night, as yet leaves unresolved the court battle by the UK bank, Barclays, against the state's unitary tax system.

Barclays' case is the test case for suits which could cost California a total of about \$880m. Another \$3.1bn is at stake in a related suit brought by Colgate-Palmolive, which would extend to US-owned companies.

The new legislation is likely to remove the principal remaining

objections of foreign-owned companies to the state's tax system, which they argue has discriminated against them, and leave them free to choose an alternative system of tax assessment known as "water's edge".

Foreign, and especially British, companies have long objected to California's unitary system, which taxes a company on a percentage of its worldwide income, rather than only on income earned in the state. Since this system differs from international norms, it can be disallowed by tax authorities in other countries and lead to a company's being taxed twice on the same income.

In the face of international pressure, California has since 1988 allowed companies to opt for "water's edge" assessment, which includes only activities within the US. In the UK, Mr Kenneth

Clarke, the chancellor of the exchequer, is not expected to make a statement until the Treasury has had time to study the full text of the law, but officials in Washington and Sacramento, the California capital, are confident that the legislation does enough to justify the lifting of the UK government's threat to retaliate.

The retaliation, announced in May, is due to come into effect on January 1. It would remove a tax credit from Californian companies, increasing the tax rate on their British subsidiaries from 28 per cent to 33 per cent and costing them up to £250m a year.

Major US companies have lobbied California hard to change its law and avert the UK retaliation. While unitary taxation would infuriate the many British

companies who oppose it with an almost theological zeal - it is unlikely to spread, because the Californian model, giving companies a choice between unitary and "water's edge" assessment, would lose money for any other state that adopted it.

Barclays commented at the weekend: "We would welcome it [the legislation] as a move in the right direction but it is impossible for us to say what will happen ahead of the court case."

The British government has made clear to the US administration that it will continue to back Barclays in its 10-year-old lawsuit, which is now pending before the US Supreme Court.

The Clinton administration has abandoned previous administrations' stance against California, because of concern about the state's financial condition.

German ruling coalition at odds over social care plan

By Quentin Peel in Berlin

THE STABILITY of Germany's ruling coalition was called into question this weekend in a new row over how to finance the latest addition to the country's generous social security system - nursing care for the elderly and handicapped.

At the heart of the conflict is a fundamental difference on who should pay most for the future scheme - workers or employers.

The Free Democratic party, the minority partner in the government, declared that a cross-party compromise between Chancellor Helmut Kohl's Christian Democratic Union (CDU) and the opposition Social Democrats (SPD) might destroy the fragile basis of the coalition, a year before the next elections.

"The FDP says that any compro-

mise that placed a greater financing burden on employers would be disastrous for the German economy."

Such a deal would also isolate the FDP and reinforce the trend towards a grand coalition between the SPD and CDU. Leading members of the FDP reacted furiously at the weekend to moves by Mr Norbert Blum, the labour minister, to reopen the whole question of financing the nursing care scheme in talks with the SPD.

A first round of talks on Friday saw moves towards a compromise. Mr Rudolf Dressler, social affairs spokesman for the SPD, said there was an agreement to "put on ice" the present proposal, which is bitterly opposed by the German trade union movement.

The present plan is backed by the FDP because it would ease

the financing burden on German employers, by reducing from three days to two the period they must provide guaranteed sick pay for their workers.

An alternative solution under discussion would instead cancel two days from the annual list of paid holidays given to German workers.

That, though, is likely to run into opposition from the left, a trend confirmed by a poll published on Saturday in the *Die Welt* newspaper. The poll, the last before the election, showed Labour with 34.8 per cent of the vote, a marked improvement from mid-year polls when support for Labour fell below 30 per cent. Its poorest rating since the 1980s.

The major issues of the election include unemployment, currently at a post-war record of 8.3 per cent, including those on government training schemes, and Norway's application to join the European Community.

Labour's strength in the polls has been boosted by signs of economic recovery, assisted by record North Sea petroleum output which has made Norway Europe's biggest oil producer.

Mrs Brundtland has also gained credibility by refusing to debate Europe during the campaign, saying that EC membership will be decided by voters in a referendum by 1995.

Analysts say the electorate feels there is no real credible alternative to Labour, with opinion polls showing steadily eroding support for the main opposition Conservative Party.

In Saturday's poll, the Conservatives saw support fall to 18.1 per cent from 22.2 per cent of the vote in the 1988 election.

The biggest gain today, according to the polls, will be by the anti-EC agrarian Centre party, support for which has soared to 16 per cent from just 6.5 per cent in the last election.

Norwegian poll gives Labour a clear lead

By Karen Fosell in Oslo

NORWEGIANS today vote in a general election which is expected to hand victory to the ruling Labour party led by Prime Minister Gro Harlem Brundtland.

Opinion polls have consistently indicated a swing to the left, a trend confirmed by a poll published on Saturday in the *Die Welt* newspaper. The poll, the last before the election, showed Labour with 34.8 per cent of the vote, a marked improvement from mid-year polls when support for Labour fell below 30 per cent. Its poorest rating since the 1980s.

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Brundtland confident, Page 4

EC to test US trade stance

Continued from Page 1

food aid, processed products, and existing silo stocks from the list of cuts.

One idea being canvassed at the weekend meeting would be to add a separate protocol or interpretation of Blar House. This might meet some of France's reservations, while avoiding the charge that the Europeans wish formally to reopen the draft accord.

EC diplomats acknowledged at the weekend that France had succeeded in shifting the debate towards the need to head off a potential veto, forcing the Community to look for new flexibility in Washington.

That message will be reinforced in talks today between Mr Delors and Mr Willy Claes, Belgian foreign minister, who are due to meet Mr Warren Christopher, US secretary of state.

Brief document may end years of conflict

Continued from Page 1

paving the way for today's peace deal.

The US is keen to sustain the momentum for a wider Middle East peace.

President Bill Clinton said the US would continue with aid and military assistance to Israel, while Mr Warren Christopher, secretary of state, said US troops might guarantee security in the Golan Heights after any Israeli undertaking to withdraw from the Syrian land it conquered in 1967.

But Mr Clinton and Mr Al Gore, his vice president, both stressed that the US did not see itself as the sole or main provider of financial aid to support peace in the region.

In an interview with the New York Times, Mr Clinton said he had secured an undertaking

from King Fahd, the Saudi Arabian ruler, for a large Saudi-led financial package from the Gulf states - whose relations with the PLO were deeply soured by Mr Arafat's support for Iraq during the Gulf war.

Mr Clinton quoted the king as saying: "You take the lead in organising it and tell us what we're supposed to do... and I will wait to hear from you."

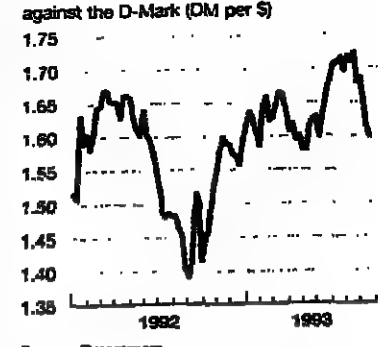
Mr Clinton said he had also elicited Syrian backing for the PLO-Israeli deal during a 30-minute conversation with President Hafez al-Assad. He quoted Mr Assad as saying: "It is a positive thing, this agreement, for all of us."

Mr Clinton said Mr Assad sought only the continued assistance of the US in mediating future negotiations with Israel over a withdrawal from the Golan Heights.

THE LEX COLUMN

Steely determination

Dollar against the D-Mark (DM per \$)



Source: Datastream

It is easy to see why British Steel is anxious to move the European steel debate forward. Subsidies protect its state-owned competitors in Europe from the economic downturn, while depressed continental demand robs it of the benefits of rationalisation. The levy proposal, whereby privatised producers would contribute towards the cost of shutting down capacity at state-owned loss-makers, may appear unorthodox to competition policy purists, but British Steel can well afford to participate. The incentive to do so is all the greater since real discipline will be even harder to impose on subsidies once the recovery starts. The problem would then be worse again in the next downturn.

Participation in the levy need not affect the company's low gearing. Contributions would come out of revenue over a period of five years. Given British Steel's high operational gearing, the effect on the profit and loss account would presumably be quickly offset by higher prices and higher volumes. Its relatively modest capital spending requirements mean the cash outlay should not hurt.

The longer term risk is that once the west European capacity problem is resolved it will be harder for the EC to find an excuse for restricting cheap imports from eastern Europe. The short-term risk is that the discipline imposed on state-owned producers will prove inadequate. British Steel is, though, probably right to claim that, without action soon, the outlook for private sector producers is bleak. Most at risk are companies in Germany and Benelux which stand to suffer an exchange rate disadvantage from the collapse of the ERM. But any collapse there would be scant consolation since the Klöckner experience shows that private sector troubles do not necessarily lead to closure of capacity.

Currencies

It looks as though 1993 will go down in exchange market history as another year in which the pundits got the dollar badly wrong. Far from appreciating as the US economy recovered, the dollar looks distinctly sick on the basis of a weak recovery and extraordinarily low inflation. In Europe, the Bundesbank has cut rates more slowly than many expected and is under even less pressure to do so now that the ERM has moved to 15 per cent bands. Last week's cut of just 10 basis points in the money market repurchase rate is a reminder that it is keen to see

policy relatively restrictive and the D-Mark strong.

The result is that the transatlantic interest rate differential has failed to narrow as much as had been assumed at the start of the year. Now, with US equities looking expensive and bonds at record low yields, there is not much to attract international money into the dollar - hence the growing sense that it has room to weaken further. This will not help economic recovery in Europe, where currencies as a whole have tended to be overvalued against the dollar.

The policy response will be interesting to watch. It is difficult to be sure how far the D-mark's present strength is a function of the dollar and how far it reflects purchases by central banks obliged to repay intervention. A pronounced fall in the dollar might just provoke the Bundesbank into larger interest rate cuts designed to offset the implicit monetary tightening. That would let France and other ERM countries off the hook. It is more likely, though, that they will still have to undercut German rates interest eventually. The hope would be that an inflow of foreign funds into their bond markets would provide the wherewithal to repay the intervention debt.

UK superstores

As Tesco tees up to start the food retailers' reporting season, attention will once again fix on the valuations ascribed to their vast property portfolios. James Capel calculates that, between them, the big three grocers own some £3.4bn of properties. This compares with £2.8bn owned by Land Securities, MEPC and British Land. Recent fears about the sustainability of grocers' margins and return on capital, however, increasingly call into

question whether superstore assets should be depreciated over their useful lives.

So far, Wm Morrison has been the only food retailer to respond to such concerns - although depreciating its land and buildings by just 1 per cent a year seems little more than cosmetic. The worry is that if food retailers do not steadily depreciate their assets they may be forced to take big one-off write-downs. By bidding up the cost of sites, the big grocers have had to work harder to maintain their return on capital. They have achieved this by widening their trading margins. If margins now come under pressure, the capital value of their sites may also fall. Should not that risk be reflected in their book?

Arguably, superstore land may preserve much of its value over 15 to 25 years, especially if inflation returns, but the case for depreciating buildings over their useful lives appears overwhelming. Even this move would have a material impact on grocers' earnings, reducing some of them by as much as 15 per cent. Investors, though, scarcely need further encouragement to sell. The sector has underperformed the market by 15 per cent since the start of the year.

News Corporation

Mr Rupert Murdoch has been so busy snapping up assets in recent months that it goes against the grain for him to sell out of one of the world's most profitable newspaper groups. Presumably not even he fancied his chances of trying to preserve the South China Morning Post's editorial and advertising appeal after Hong Kong reverted to Chinese sovereignty in 1997. Besides, the returns made on the original HK\$2.4bn investment would have been enough to tempt anyone to cash in their chips.

The sale of a 34.9 per cent stake to the pro-Berling Mr Robert Kuok ensures a full bid will not be sparked for SCMP. But this leaves News Corporation with an untidy rump of shares to sell. This would appear a straight-forward enough task given that SCMP's shares have more than doubled to HK\$5.35 over the past two years. Then again, other investors may well reflect on the risks of owning shares in an English-language newspaper at such a politically-sensitive time. Significantly, News Corporation is choosing to recycle its proceeds into regional satellite television, which skirts such regulatory worries.

FT WORLD WEATHER

Europe today

A storm crossing south-west England will cause strong gales in western coastal areas of France. The British Isles will have (near) gale force winds especially around the centre of the low. The frontal zone associated with the depression will bring rain and wind to north-western Europe. The rain will be heaviest over southern England, northern and central France and the Low Countries. Northern Spain will be cloudy too with some rain, but elsewhere in Spain and Portugal, it will be mainly sunny. Most of Italy and south-east Europe will be sunny and warm. High pressure will remain over Scandinavia with sunny intervals in Norway. Southern Sweden and Denmark will have rain during the afternoon.

Five-day forecast

The depression will weaken while moving slowly towards the North Sea. Conditions will become less windy, but north-western Europe will continue unsettled. A new frontal system over Portugal will cause widespread rain in north-western Spain and Portugal. Around the Mediterranean, it will continue sunny except for southern France where showers will develop. Eastern Europe will have thundery showers.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	30	Madrid	20	London	14
Accra	30	Manila	28	Paris	14
Algiers	30	Medan	28	Prague	14
Amsterdam	17	Mexico City	28	Rangoon	27
Athens	30	Monterrey	28	Reykjavik	15
B. Aires	19	Moscow	28	S. Francisco	21
B. Burn	12	Muramba	28	S. Jose	21
Bangkok	30	Nassau	28	S. Paulo	21
Barcelona	25	New York	18	Singapore	28
Beijing	27	Nice	18	Stockholm	11
		Norfolk	18	Strasbourg	15
		Osaka	28	Taipei	28
		Perth	22	Tokyo	28
		Port of Spain	28	Toronto	11
		Rangoon	27	Tunis	34
		Reykjavik	15	Vancouver	19
				Venice	22
				Vienna	16
				Warsaw	13
				Wellington	11
				Winnipeg	13
				Zurich	15

Forecasts by Meteo Consult of the Netherlands

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Chemical Futures & Options, Inc. Telephone: 071-777 4402 Facsimile: 071-777 4779	Developing Markets Sales Telephone: 071-777 3610 Facsimile: 071-777 4362
Developing Markets Trading Facsimile: 071-777 4734	Global Derivatives Telephone: 071-777 4248 Facsimile: 071-777 4773
Japan Desk Telephone: 071-777 4286 Facsimile: 071-777 4728	Securities Markets Division Telephone: 071-777 4000 Facsimile: 071-777 4741
Securitisation Telephone: 071-777 4000 Facsimile: 071-777 4742	Treasury Sales Telephone: 071-817 3930 Facsimile: 071-777 3178
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This relocation is the second of a phased schedule and other London units will be moving to 125 London Wall throughout September and October.

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Monday September 13 1993

YOUNG WORKING TOWN SEEKS LIVELY INTELLIGENT COMPANY.
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INSIDE

Austrian oil group stays in the red

OMV, the troubled Austrian integrated oil and chemicals group, has reported an operating loss of Sch552m (\$49m) after a loss of Sch584m in the same period of last year. The group, which earlier forecast a return to profit this year, has been badly hurt by competition from eastern European refiners and chemical makers. Page 20

Roxboro plans placing

Roxboro, the manufacturer of specialist electronic components, plans to come to market through an offer and placing next month which is expected to value the group at about £70m (\$108m). Page 18

Ashanti seeks London listing

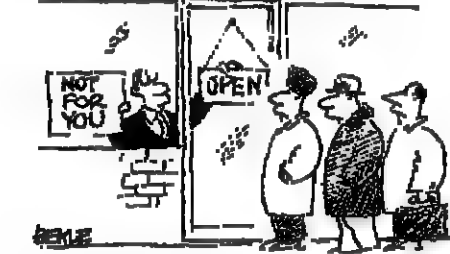
Ashanti Goldfields, owned jointly by the Ghanaian government and Lonrho, the international trading conglomerate, is to seek a London listing next year which could value it at up to £200m (\$314m). The sale will be Ghana's biggest sell-off exercise to date. Page 19

Fed up with Fyffes

The stock market's exasperation with Fyffes, the UK and Irish fruit distributor, is growing. Two years ago it looked to be on the verge of European expansion but its £30m (\$310m) war chest is unspent. Page 19

Foreign bank opens in Russia

BNP-DRESNER BA



Dresner Bank and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since the Bolshevik revolution. However the Russian parliament has proposed a ban on foreign banks dealing with Russian customers. Page 20

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 16.7, according to IBES, the consensus estimates service. Last week 15.9. This compares with an IBES estimated p/e for the "500" of 20.1 for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.92 (20.27).

Market Statistics

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British Steel may boycott Brussels levy

By Andrew Baxter in London

BRITISH STEEL may pull out of a plan to restructure the EC steel industry unless the European Commission takes tougher action to curb state subsidies.

Mr Brian Moffat, British Steel's chairman and chief executive, will today warn the Commission that the company may not contribute to a levy to finance rationalisation among weaker producers because so little progress has been made to cut subsidies to state-owned producers in Italy and Spain.

The levy is central to the Commission's plans to respond to the deep recession in the industry by cutting 30m tonnes of production capacity.

Mr Moffat will tonight warn Mr Karel Van Miert, the commissioner for competition, and Mr Martin Bangemann, industry commissioner, that the entire restructuring plan could fail if a deal on subsidies is not agreed by November.

He will be among a number of European steel industry leaders at a meeting in Strasbourg tonight called to discuss the

Commission's plan to restructure the industry.

The Commission had originally asked steel companies to offer capacity cuts of 30m tonnes by September 30 to help reduce chronic overcapacity. But private sector companies such as British Steel, and the German producers Thyssen and Krupp-Hoesch, have held back arguing it would be unfair for them to offer production cuts while the level of state subsidies to their competitors remained unsettled.

Officially the Commission still hopes it can reach a deal on sub-

sidies in time for the next EC industry ministers meeting on September 21. But with negotiations with Italian and Spanish producers dragging, this looks increasingly unlikely.

Mr Moffat warned that failure by the Commission to reach a satisfactory agreement to cut state subsidies could cause bankruptcies among private sector steel groups.

Mr Moffat said he remained hopeful that the Commission's problems clinching a deal to cut state subsidies would only amount to "three or four months

of lost momentum".

Mr Moffat said subsidised producers were delaying reaching an agreement in the hope that an economic upturn would ease the pressure on them to make cuts. He said: "The current situation is an excuse for doing nothing."

Mr Moffat stressed that British Steel was broadly in favour of the levy which would help to finance production cuts over the next five years. But he warned British Steel would not participate if the deal was not in its shareholders' interests. Lex, Page 16

Canadian utility faces part sell-off

By Bernard Simon in Toronto

ONTARIO Hydro, one of North America's biggest power utilities, is laying the groundwork for a partial privatisation to help ease its acute financial condition.

The Toronto-based utility at present relies entirely on debt financing, and has amassed borrowings of more than C\$34bn (\$26bn). "We simply cannot any longer tolerate 100 per cent debt financing, we simply do not have enough equity," said Mr Maurice Strong, chairman.

Mr Strong said that Hydro, which is owned by the Ontario provincial government, is preparing a financial restructuring which will include "very fundamental changes".

He indicated that these may include opening the door to outside equity participation. The province's left-of-centre New Democratic government has up to now been reluctant to endorse private ownership of Hydro. However, Mr Strong said that "the issue isn't privatisation; the issue is financial flexibility".

Mr Strong, who organised last year's United Nations Earth Summit, has launched a far-reaching shake-up at Hydro since he took over as chairman last December. As part of an austerity plan announced earlier this year, the utility has set a goal of reducing borrowing by a third over the next decade, and trimming its debt-equity ratio from the present 3.1:1 to about 60:40.

It has chopped its capital spending budget, and is also cutting 6,000 of its 29,000 jobs, and splitting its operations into three separate business units.

Hydro expects to suffer a loss of at least C\$1.6bn this year, including an operating loss of about C\$200m. It cited lack of demand for electricity, write-offs related to restructuring, and continuing problems at a nuclear power station.

The shake-up is a response to growing concern among electricity users at the steep hike in rates, which has averaged 7.3 per cent a year since 1988.

Cheap power has in the past been one of the chief drawcards for investors in Ontario and other Canadian provinces.

Mr Strong has pledged to freeze Hydro's rates next year, and to hold increases for the rest of the 1990s no higher than Canada's inflation rate.

James Blitz reports on the growing competition in automated trading systems

Foreign exchange dealers enter the 21st century

For nearly a quarter of a century, Reuters, the news and information group, has been the world leader in the provision of electronic trading systems for banks which deal in currency markets. But this week, Reuters will find itself in competition with some of its best clients, a consortium of the most powerful banks in foreign exchange.

Both sides are about to enter battle by offering rival automated dealing systems which can simulate the work done by brokers in the foreign exchange market. The products they are pioneering may change the face of one of the most actively traded financial markets in the world, one where global turnover has reached \$1,000m a day.

Last year, Reuters launched its 2000-2 automated brokerage system after several years developing it at an estimated cost of \$50m (\$82.4m). It was followed in April by Minex - a service backed by Japanese institutions - much used in Asia.

On Wednesday, at 8am in London, dealers will be able to trade on terminals run by the Electronic Broking Service (EBS). This system, which cost around \$40m to launch, has been backed by a dozen leading banks in foreign exchange - such as Citibank and Chase Manhattan - who have formed a consortium with Quotron, specialists in electronic information.

"This is where the 21st century begins for foreign exchange dealers," says Mr Peter Bartko, chairman of the EBS partnership. "In the long term, people have to accept that human brokerage

doesn't have a great future."

Brokerage still plays a considerable role in currency dealing. Roughly 80 per cent of deals in the currency markets are now done by traders in two banks - or counterparties - who call one another up directly. The remainder of deals are done through brokers, who bring together diverse buyers and sellers.

Commercial banks rely on brokers for a good proportion of their business and value their knowledge of the market. But they complain that the commissions charged for broking a deal are very high.

Automated brokerage terminals do the same job as humans at a reduced cost. A bank dealer using any of the three on offer can advertise a buy and sell price on dealing screens across the globe. Another bank dealer then

Automated dealing: a three-way fight

REUTERS	EBS	MINEX
Reuters 2000-2	Electronic Broking Service	Minex
<ul style="list-style-type: none"> Launched last year with 23 subscriber sites in two countries. Now more than 230 dealing sites in 25 cities in 17 countries. System has reached initial target of 1,000 trades a day, each for a minimum 1m units of the currency dealt. 	<ul style="list-style-type: none"> To be launched Wednesday by Quotron and consortium of banks in London, New York, Zurich and Amsterdam. Will start with 200 dealers in 60 banks and institutions. Dealers invited to trade in standard amounts of \$5m in S/DM and £5m in £/DM. 	<ul style="list-style-type: none"> Went live in April, backed by a consortium of Japanese banks and brokers, KDD, the Japanese telecom company, and Dow Jones Teleterminals. Systems in New York, Chicago, London, Hong Kong, Singapore and Tokyo. Does not disclose the number of trades crossed or terminals used.

ko's estimate, some 50 per cent of global foreign exchange transactions take place on them. "Reuters 2000-2 could move that figure significantly higher," he says.

He argues that the banks would be "at the mercy" of Reuters if its control of transactions jumped to 70 per cent. "They would be in a position to dictate customer charges. Some bank dealers also argue that Reuters could change the structure of the

D-Mark exchange rate. We already have the critical mass."

By contrast, he says that Reuters 2000-2 cannot offer big volume deals in the main currencies because the large banks have not moved over to using it.

But Reuters is confident. Mr Bob Etherington, the company's international marketing manager, takes EBS seriously but dismisses fears that Reuters is seeking to increase charges by monopolising the market. "In the last 12 years, the prices for using the Reuters Monitor Dealing Service have not kept up with inflation," he said. "We have not abused our position at all."

Mr Etherington believes that 2000-2 will acquire greater liquidity, but he will not reveal volume levels. "From the start, we set targets for the number of trades we wanted to see and we are meeting those targets." He also believes that it is far too early to judge the performance of 2000-2. "It takes a long time to establish these systems in the marketplace as we saw with our earlier systems," he says. "You are asking dealers to start trading in a way they have never traded before, and that can take time."

Officials at EBS admit that Reuters has such huge resources that it can wait to see how automated brokerage develops over many years. And the pioneers of these systems know it will take a long time to bring currency dealers around to using them. One hindrance to automated brokerage is that traders must make a brokered deal by looking at a screen and tapping buttons on a keyboard. That takes longer than listening to the broker shouting a price on the phone and answering "done". In a market where every second counts, that costs money.

Dealers are also nervous to offer a buy/sell price knowing that either side of the price can be "hit" by any currency dealer in the world. That is a more frightening prospect than operating through a trusted broker or dealing with a known counterparty, especially when exchange rates are volatile.

Automated currency brokerage may never catch on. But it may also be the dawn of a Brave New World - a development no less significant than the launch of the early computerised trading systems in currency markets in the 1970s. The banks merely want to ensure that, if this is the technology of the future, Reuters is not alone in developing it.

Banks would be 'at the mercy' of Reuters if its control of transactions jumped to 70 per cent

"hits" the price by typing instructions on a terminal. Only when the deal is done are the identities of both parties revealed.

The banks are attracted by the reduced cost of commission. But they fear that 2000-2 will help Reuters monopolise the market in electronic dealing systems. Mr Bartko admits that this is one of the principal motives for this week's launch of EBS.

Reuters has 19,000 conventional dealing terminals in banks around the world. On Mr Bart-

ko's estimate, some 50 per cent of global foreign exchange transactions take place on them. "Reuters 2000-2 could move that figure significantly higher," he says.

He argues that the banks would be "at the mercy" of Reuters if its control of transactions jumped to 70 per cent. "They would be in a position to dictate customer charges. Some bank dealers also argue that Reuters could change the structure of the

currency market, if it so wished, by selling more systems to non-banking customers who are becoming important movers of international capital.

EBS has one advantage over rival systems: the banks backing it have 35 per cent of turnover on the London foreign exchange market. That means EBS could establish high levels of liquidity very quickly. Mr Bartko says liquidity is the key to success. "You need to have 50 banks using a system to make a professional market in, say, the dollar/

Productivity figures rarely make the headlines

When they are next issued in the UK on Thursday, the figures - giving output per head - are likely to be overshadowed by the latest unemployment news published the same day.

But recent official reports, pointing to strong productivity growth in UK and US manufacturing industry, have caught the attention of economists.

Higher productivity is to be expected during economic recovery as orders flow in and capacity utilisation rises. But output growth per head in US and UK manufacturing industry has been particularly strong when set against the hesitant and patchy recovery in the US and the moderate growth of British production.

As productivity is such an important indicator of a nation's underlying economic strength, these trends raise the question as to whether or not the present recovery is qualitatively different from earlier economic upturns.

Figures last month from Britain's Department of Employment showed productivity in manufacturing was 8.2 per cent higher in the second quarter than in the same period of 1992; much faster growth than the 3.1 per cent rise in manufacturing output in the same period.

The US Commerce Department reported last week that output per head in manufacturing grew by an annualised 5.2 per cent in the second quarter and by 7.7 per cent in that part of industry making durable goods: an intriguing development considering that the US administration has revised down its economic growth forecasts.

Admittedly, broader measures of productivity have performed less well in both countries. The most recent UK figures show year-on-year productivity growth of 4 per cent across the whole economy in the first quarter. The US, per-

Growth industry in analysing output figures

haps reflecting the recent uneven nature of its recovery, reported a seasonally adjusted 1.3 per cent annualised fall in non-farm productivity in the second quarter, revised from earlier estimates of a 2.5 per cent decline.

There is also no consensus among economists about the meaning of recent productivity trends. In a recent paper published by the Brookings Institution of Washington, two distinguished US scholars, George L. Perry and Charles L. Schultz, discovered a notable development in US productivity last year. They said that

growth could reflect technological change, especially in information and communications technology, and investment by multinational corporations. These forces have transformed production methods and organisation of companies.

Heavy lay-offs among US white collar workers and the exceptional increase of sales of computer equipment, which doubled between the end of 1989 and the first quarter of this year, are symptoms of this transformation which has been under way in manufacturing over the past decade, he contends.

Economics Notebook

By Peter Norman

after six quarters of recovery, non-farm productivity in the US rebounded past previous trend growth (by 1.6 per cent at an annual rate) even though US gross domestic product had been stagnant. But, while describing this as a "striking fact", they were unable to reach a conclusion if this marked a surprise break with established patterns.

Others are less cautious. Mrs Sylvia Ostry, head of the Centre for International Studies at the University of Toronto and a former chief economist at the Organisation for Economic Co-operation and Development in Paris, believes that far-reaching structural changes may be bringing the US "close to a higher growth trajectory". She suggests that the strong manufacturing productivity

Mrs Ostry believes that the services sector is about to experience similar changes. Such changes involve costs: job losses among previously highly paid middle managers could help explain why consumption has been so weak in America. But eventually the greater productivity growth should benefit the economy and give the US a new edge over international competitors.

Some London economists see echoes of the US experience in Britain. Writing in this month's Geographical and National Monthly Economic Review, Professor Tim Congdon, managing director of Lombard Street Research and one of the Chancellor's seven-man panel of independent forecasters, says UK manufacturing productivity "is doing well, much

better than would normally be expected from previous cyclical patterns".

UK companies appear to be importing state-of-the-art machinery and copying best practices abroad, while foreign companies are investing in Britain to take advantage of relatively cheap labour, he says.

Two economists at Kleinwort Benson Securities in London, Mr Albert Edwards and David Owen, say British industry has followed the US example of investing heavily in computer equipment that will facilitate corporate restructuring.

Mr Don Smith, an economist with Midland Global Markets in London, expects that increased investment as the UK economy recovers "will introduce a vast amount of new technology into industry and commerce". With the British labour market more flexible than at any time since the 1980s, resistance to change in working practices is at historically low levels, he says.

As Prof Congdon points out, UK manufacturing productivity has been growing strongly for some years. The average annual increase was 4.8 per cent between 1979 and 1989, the highest level of any Group of Seven countries.

Mr Smith believes that UK productivity growth for the whole economy will hover around 2.75 per cent in the 1990s, and so be close to the very high growth rates achieved in the 1960s and the early and mid-1980s.

But it needs to be. The gap in productivity between Britain and its main international competitors is so large, that "even if UK productivity growth was consistently 1 per cent higher than other countries, it would be perhaps 15 to 20 years before the UK could catch up with France and Germany, and more than 50 years before it could catch up with the US," he says.

TV group seeks stake in UK daily newspaper

By Raymond Snoddy in London

MR MICHAEL Green, chairman of Carlton Communications, is interested in acquiring a stake in Newspaper Publishing, owners of The Independent and Independent on Sunday.

Mr Green would like to add newspapers to his television interests which include Carlton Television, holder of the London weekday ITV licence.

The expression of interest from Mr Green, who is also chairman of Independent Television News, is being put in the context of trying to strengthen the opposition to Mr Rupert Murdoch's News International and challenging Mr Murdoch's ability to set the media agenda in the UK.

Carlton is only one of six potential investors who have expressed an interest in taking a stake in Newspaper Publishing. The others include Associated Newspapers, publishers of the Daily Mail, and Mirror Group Newspapers.

Mr Ian Hay Davidson, chairman of Newspaper Publishing has made it clear his first priority is to install a new chief executive before going ahead with a refinancing that could involve raising up to £20m (\$31m).

Carlton Communications would only seek a stake of around 30 per cent although a "Conrad Black clause" would also be sought. Mr Conrad Black, who has been in the Daily Telegraph on condition that he would have right of first refusal on any further fund raising. As a result he won control of the Daily Telegraph.

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COMPANIES AND FINANCE

Badgerline accelerates up the takeover trail

By Andrew Bolger

BADGERLINE Group, the bus operator which is coming to the stock market in November, has expanded rapidly by acquisitions in the seven years since a group of managers and employees succeeded in a £3m buy-out of the National Bus Company subsidiary.

It has taken over no fewer than seven other former NBC operations in a strategy similar to that pursued by other fast-growing operators such as Stagecoach, the Perth-based bus operator which came to the market in April, and Drawlane Transport Group.

Of the 62 NBC companies sold to management buy-out teams, a large number have subsequently lost their independence. As a result, the Department of Trade and Industry has expressed anxiety over the rate at which small bus companies have been swallowed up, reducing the competition promised by the break-up of the NBC.

Mr Trevor Smallwood, Badgerline's chairman, said that the position was monitored by the Office of Fair Trading and the Monopolies and Mergers Commission. Problems only arose in particular local areas and had been solved by giving assurances to the regulatory authorities. He believed there was still scope for further consolidation.



Trevor Smallwood: still scope for further consolidation

Badgerline is one of the few companies to have expressed an interest in running some of British Rail's bigger operations. If they are privatised, Mr Smallwood said he was still interested in principle, but would need much more knowledge of the terms before making a decision.

The group, which runs 2,300 buses and coaches in the Midlands, south Wales and the south-east, is also interested in bidding for local authority bus services as they are sold off and in offering services in London. It already runs 70 Thamesway buses ser-

vice south Essex.

About 1,000 of Badgerline's 6,200 employees currently own about 90 per cent of the group's shares. Each year the original shareholders are traded among employees on a "matched-basis" basis. At the last auction, in April, shares originally worth 3.3p fetched 32.2p.

The final value of the shares will not be settled until the structure of the flotation is agreed, but they are likely to be worth significantly more than 32.2p.

The flotation will be sponsored by Lazard Brothers, and Cazenove will act as brokers.

Accounting board shelves rent plan

By Vanessa Houlder, Property Correspondent

THE Accounting Standards Board has shelved a proposal to force companies to make a provision in their accounts for unrecoverable rent on vacant leasehold property.

The proposal, which was put forward by the ASB's Urgent Issues Task Force in June, would have required companies to identify the likely shortfall between their obligations under their lease and the amount they would be likely to recover by reletting the property. It had been expected to have a large impact on some companies in London and the south-east.

The British Property Federation, which represents landlords, said it had opposed the proposals because it could discourage people from taking out a long lease for fear of having to account for a lesser value than was used at the time it had the "potential to inflict serious damage on the property investment industry," it said.

It also said that the proposal would have made it difficult to compare figures in different companies' accounts because the provision would have depended on assumptions about a large number of variables.

Plan that avoids expensive mistakes

Paul Abrahams looks at the remaining clouds on Fisons' horizon

THE LAST 18 months have not been kind to Fisons, the pharmaceuticals and scientific equipment group.

A series of apparently endless regulatory problems, culminating in the withdrawal in the US of some of its best-selling products, the subsequent resignation of its chairman, and a drubbing from the stock market which ended with the company dropping out of the FTSE 100 Index, have all cast doubt over the future independence of the group.

However, Mr Cedric Scroggs, Fisons' increasingly confident new chief executive, believes his team, which last week announced an improvement in operating profits at the drugs division for the first time in nine months, has answered most of the questions asked about the group's future as an independent pharmaceuticals company.

The regulatory problems appear, at least for the moment, to be over. Mr Scroggs points out that Fisons has shown for the last six months that it can meet the regulators' rigorous standards. The question whether the company has sufficient scale to discover, develop and market new drugs, has also been mostly answered, says Mr Scroggs.

He adds that on the marketing side, strategic alliances in the US with Rhône-Poulenc Rorer for Tildane, the asthma treatment, and Allergan, a US

group, to co-market Acular, the main competitor to Fisons' withdrawn product Opticrom, have shown the way forward.

The company is now looking to license in a number of compounds. One will take the place of Tildane, Fisons' asthma treatment where development was halted in April because of lack of efficacy. Mr Mike Redmond, pharmaceuticals managing director, says the US sales force will have spare capacity after next year and most of the other sales forces are under-utilised at present.

Fisons refuses to say which companies it has approached or the type of anti-asthmatic it wants to license in. Mr Redmond says Fisons is not interested in a beta-2 agonist, the most common form of asthma treatment.

In the meantime, Fisons' development capability has improved considerably, says Mr Redmond. Historically, Fisons has been one of the best places to do research in the UK pharmaceuticals industry, but its track record on development has been lamentable.

The decision to cancel development of Tildane even has its brighter side, insists Mr Redmond. In the past, the decision whether to cancel would have been put off. Now, the development process has been improved so that decisions are made earlier to avoid expensive mistakes.

In addition, the development of Tildane has provided Fisons with invaluable exper-



Cedric Scroggs: confident

iments such as pafan-agonists and leukotriene antagonists are possible areas for development.

Zeneca of the UK and Upjohn of the US are working on leukotriene antagonists. Schering-Plough, the American group, is working on a paf-antagonist. Roche of Switzerland is working in both areas.

Mr Redmond says Fisons can offer expertise in clinical research and delivery system. A number of companies are interested in using its patented multi-dose dry powder inhaler clinical trials. In addition, any partner could eventually use Fisons' sales forces.

Clouds remain on the Fisons' horizon. The US patents for the nebulised version of Infal, an asthma product, expired in August. This version represents about half of the drug's US sales. In addition, an FDA advisory committee will decide next week whether generic companies will be able to launch versions of the inhaled version without doing clinical trials.

In the meantime, Mr Scroggs must turn his attention to the underperforming scientific instruments operations which fell into a loss during the first six months. He admits the loss, likely to be repeated in the second half, is all the more galling because he was in charge of the business before he was appointed chief executive. "It's a very nasty episode," he admits.

Roxboro to join market with £70m price tag

By Paul Taylor

ROXBORO, the Newmarket-based manufacturer of specialist electronic components, plans to come to market through an offer and placing next month which is expected to value the group at about £70m.

The company grew out of the £28m management buy-out of the electronic components division, Cambridge Electronic Industries (now Graseby), in mid-1980. The buy-out, led by Mr Harry Tee, Roxboro's chief executive, was backed by Schroder Ventures.

After the "back-to-back" sale of the capacitor business for £9m to its management, Mr Tee has refocused Roxboro away from low-margin commodity components and towards production of

higher-margin value-added devices. At the same time productivity has been improved and the workforce cut from 1,200 to 650.

The group, which has operations in the UK and US, recorded profits before tax and interest of £4.3m last year on turnover of about £38m. Interim results will be published in a few weeks, however Mr Tee says that profitability in the current year is "substantially" ahead of last year.

In the US the group's existing operations have been restructured and consolidated into one plant at Roxboro, North Carolina which is a leading third party supplier of electro-optical indicators using LEDs (Light Emitting Diodes).

These indicators, sold under the

Dialight brand, are used extensively throughout the telecommunications, data communications and processing markets, and in the diversified industrial controls market.

Because of their long life they are also increasingly replacing conventional light bulbs in control panels and displays.

In Britain, Roxboro's two plants at Newmarket and Harlow manufacture specialist electromagnetic devices including relays, solenoids and filters which are sold under the Belling Lee and P&D brands, mainly to the telecommunications, instrumentation and industrial markets.

One new growth application for these devices is in the new generation of "smart" utility meters for controlling

electricity, gas and water supplies.

Roxboro also designs and builds custom components for companies such as Schlumberger and Motorola.

"We have deliberately positioned ourselves as the number one two or three in our chosen markets," said Mr Tee.

Following the flotation the management is expected to retain about a 20 per cent stake in the enlarged company, which will then have a debt-free balance sheet. Mr Peter Smithson, a senior partner of Schroders Ventures will remain chairman of the group and two non-executive directors are expected to join the board.

The issue will be sponsored by Samuel Montagu with James Capel as brokers and the stock is expected to begin trading early in November.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Renault (France)/Volvo (Sweden)	Agreed merger	Vehicle manufacture	c£8.5bn	Sector restructuring continues
Fortis (Netherlands)/ABN-AMRO (Belgium)	ABN-AMRO (Belgium)	Financial Services	£278m	Aiming for 50% stake
Reed Elsevier (UK)/(Netherlands)	Official Airlines Guide (US)	Publishing	£271m	Agreed at least
Cadbury Schweppes (UK)	ASW Brands (US)	Soft drinks	£217m	Agreed cash bid
Unilever (UK/Netherlands)	Unit of Kraft General Foods (US)	Food	est £195m	Tripling market share
Hegemeyer (Netherlands)	Newey & Syre (UK)	Electrical distribution	£185m	BTR disposal
DBE Insurance Group (Australia)	Unit of Royal Insurance (UK)	Reinsurance	£39m	Non-core US disposal
Inchcape (UK)	PT Tensile Manufacturing (Indonesia)	Personal care	£137m	Buying BP international's 75%
Canon (Japan)	Walter Rantach (Switzerland)	Office equipment	n/a	ignores minority holders
Werner-Lambert (US)	Cachou Jaurie (France)	Confectionery	n/a	Pierre Fabre non-core sale

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
(Incorporated in the Republic of South Africa)
Registration number 57/12768/146

LIBERTY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 65/62959/06

LIBELIFE STRATEGIC INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 83/00001/064

Joint announcement regarding the results of:

- the offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of renounceable rights to 114 570 968 ordinary shares in Libelife Strategic Investments Limited ("Libelife") at a price of 900 cents per share in the ratio of 50 ordinary shares in Libelife for every 100 shares held in Liberty Life;
- the offer of renounceable rights by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59 516 498 ordinary shares in Libelife at a price of 900 cents per share in the ratio of 130 ordinary shares in Libelife for every 100 ordinary shares held in Libhold; and
- the further offer to apply for additional shares in Libelife at 1 000 cents per share.

1. Results of the offer

The results of the offer to shareholders of Liberty Life and Libhold of renounceable rights to 114 570 968 ordinary shares of 1 cent each in Libelife ("Libelife shares") contained in the circulars issued on 13 August 1993 are as follows:

- Applications were received for a total of 113 984 539 Libelife shares, which includes excess applications amounting to 514 889 shares thereby raising an amount of R1 026,4 million for Liberty Life before expenses.
- The applications received resulted in a take up of 99.5% of the 114 570 968 Libelife shares which were offered by Liberty Life. Libelife's initial share register comprises over 5 500 shareholders.
- All applications for excess shares were allocated in full.

2. Posting of share certificates

Share certificates in respect of the Libelife shares which have been taken up will be posted to shareholders of Libelife on or about Friday, 10 September 1993.

9 September 1993
Johannesburg

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Prices for electricity generated by the power stations in the following table are based on the following assumptions:

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Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from September 13, 1993 to December 13, 1993 the Notes will carry an interest rate of 3.4375% per annum. The interest payable on the relevant interest payment date, December 13, 1993 will be U.S. \$86.89 per U.S. \$100,000 principal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

September 13, 1993

CHASE

To the Holders of First International Funding Co. Floating Rate Notes

Pursuant to the indenture dated as of June 3, 1993 among the Issuer, State Street Bank and Trust Company, as Trustee, and Financial Security Assurance Inc., as the Insurer, notice is hereby given that for the interest period from September 13, 1993 to December 13, 1993, the applicable Note Interest Rate is: for the Notes Due 1996, 3.70%; for the Notes Due 1998, 3.80%; and for the Notes Due 2000, 3.95%.

3i International B.V.
By: Morgan Guaranty Trust Company as Principal Paying Agent

Dated: September 13, 1993

NOTICE OF REDEMPTION

3i International B.V.
(formerly called - Investors in Industry International B.V.)

(the "Issuer")
£50,000,000
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(the "Bonds")

NOTICE IS HEREBY GIVEN that, pursuant to provisions contained in the Trust Deed dated October 19, 1983, the Issuer will redeem all outstanding Bonds on October 15, 1993 at the redemption price of 100% of the principal amount thereof.

Payments will be made upon presentation and surrender of the Bonds at the main offices of Morgan Guaranty Trust Company of New York in London, Brussels and Frankfurt am Main or Banque Internationale à Luxembourg SA in Luxembourg. Such payments will be made in sterling at the specified office of any Paying Agent in London or, at the option of the holder, at any specified office of any Paying Agent by sterling cheque drawn on, or transfer to a sterling account maintained by the payee with a bank in London.

Bonds should be presented for redemption together with all unsanctured coupons, failing which the amount due in respect of any missing unsanctured coupons will be deducted from the principal amount due for payment.

3i International B.V.
By: Morgan Guaranty Trust Company as Principal Paying Agent

Dated: September 13, 1993

A ripening target for a takeover bid

Fyffes has turned from potential predator to prey, reports Tim Coone

TWO years ago, Fyffes, the UK and Irish fruit distributor, looked to be on the verge of a significant expansion into the European mainland market as it raised £800m in a rights issue and took on a new chief executive, Mr John Callaghan.

For many investors, these were signals that the McCann family, which had run the company since they bought it from United Brands in 1986, were preparing to take Fyffes into the European big league of fruit distribution alongside US majors such as Chiquita and Dole, which control almost two-thirds of the "dollar" banana market in Europe.

"In the future we will be making fewer, but larger deals... attractive opportunities come in bigger packages," said Mr Carl McCann, the group finance director at the time.

Two years on, several efforts to make big acquisitions have failed. The Fyffes war chest, totalling £80m, remains largely unspent and Fyffes itself became in April the target of a takeover offer by Dole, which was rejected by the board.

Then last month Mr Callaghan resigned with no clear explanation being given to shareholders.

The stock market's exasperation with the company is growing. "The lack of information on a matter of such importance is a shameful disgrace for a publicly-quoted company," said one analyst.

The main interpretation in Dublin is that Mr Callaghan found that he was given less

freedom of action than he had anticipated when he joined the group. Mr Neil McCann, the executive chairman, and his sons Carl and David, hold the principal posts in the group, and - the argument goes - were unwilling to cede executive control to Mr Callaghan.

Another view is that the McCanns simply came to the conclusion that Mr Callaghan's accountancy background was not necessarily the best suited for heading a fresh fruit trading business.

Either way, the incident has been a big embarrassment for the company, and undermined investor confidence in the management team, which has still to appoint a replacement chief executive.

Fyffes' fleeting interest earlier this year in purchasing a stake in Greencore, the Irish sugar, milling and malting group, also raised questions over management strategy, and whether it is as committed to building a Europe-wide fruit distribution network as it says it is.

It is thought that the McCanns might instead choose

to spend their cash on an agricultural trader outside their core fruit and vegetable business.

The company's cash is invested mostly in Irish financial assets, and with interest rates now forecast to dip as low as 5 per cent by the year-end, pressure will be mounting on the company to spend the war chest on a big acquisition.

In its results for the first half to April, half of the £14m pre-tax profits came from interest income - a result which will not be repeated in the second half.

Mr Joe Gill, a food industry analyst at Rida stockbrokers in Dublin, notes: "With interest income set to decline, Fyffes will require a strong recovery in operating profits or acquisition-driven profits to attain earnings growth in 1994."

So with stagnating performance, no significant acquisition on the horizon, and retrenchment taking place in the Dublin headquarters, Fyffes looks like a ripening target for a new takeover bid.

Dole's April offer, the first for Fyffes since the McCanns took over, valued the company at £420m, or £1.15 per share, a six-year high at the time. The Fyffes board unanimously rejected the bid, but was careful not to brand it as hostile.

Enough hints were dropped around the market that some of the key shareholders would be sellers at the right price.

One of those is considered to be DCC, the Dublin-based holding company headed by Mr Jim

Flavin. DCC has an 11 per cent shareholding, the largest single holding, and although Mr Flavin is a long-term supporter of the McCanns he is also committed to developing DCC as an industrial holding company.

Fyffes stands to benefit under the new EC banana import regime, which came into force in July, being an importer from both the Central and South American "dollar" banana area as well as from the traditional African, Caribbean and Pacific countries, which enjoy tariff-free entry to the EC.

The new regime will allow Fyffes to pick up market share from Chiquita, Dole and Del Monte, the main players in the "dollar" sector of the European banana market.

Its strong cash position and good European growth prospects make the group a potentially attractive company, especially to the big US players.

Chiquita, currently facing large capital expenditure commitments, and posting a loss last year of \$20m, is not considered a likely bidder, and would most certainly be regarded as hostile.

Del Monte is still hedging in under its new Mexican owners, and so Dole remains the most likely contender.

Ms Patricia Fee, an analyst for BCP stockbrokers in Dublin, says that Fyffes' current share price, of £1.05, has a renewed bid by Dole priced in, although she said she does not anticipate an antagonistic bid. "Dole is dependent upon Fyffes for its sales in the UK market and will not want to prejudice those," she said.

Ashanti to seek London listing

By Roland Rudd

ASHANTI Goldfields, owned jointly by the Ghanaian government and Lomro, the international trading conglomerate, is to seek a London listing next year which could value it at up to \$200m.

The Ghanaian government, which owns 55 per cent of the mine, has decided to sell about one quarter of its stake. Lomro, which manages the mine and owns 45 per cent, has decided not to sell any shares.

The sale will be Ghana's biggest self-off exercise to date. It had recently called for interested bids from mining companies and asked the World Bank's International Finance Corporation to handle the sale.

But in the past few months it decided that a flotation would raise more. It held a "beauty parade" of merchant banks last week to advise it on the sale. These included Morgan Grenfell with stockbrokers James Capel and UBS.

Mr Emmanuel Aghodo, the head of Ghana's privatisation programme, recently said Ashanti was "conservatively valued" at \$200m. But the merchant banks competing to advise the government on the flotation believe it could be worth up to \$200m.

Following the takeover of Consolidated Goldfields by Hanson, the Anglo-US conglomerate, in 1989, the banks believe there could be "significant interest" in what will be the first big new listing of a gold mine.

However, they will have to overcome doubts about the stability of the Ghanaian economy and overseas dividend remittance.

Ashanti had a good first half, with gold production amounting to 380,000 ounces - 16 per cent up on last year. Lomro has said that projected production for the year at 760,000 ounces is ahead of target. Lomro will retain operational control of the mines.

Ulster TV rises to £1.97m

PROFITS of Ulster Television, the independent programme contractor, advanced from £1.79m to £1.97m pre-tax for the six months ended June 30.

The improvement was scored on the back of a turnover some 2.6 per cent lower at £13.2m.

Directors said that comparisons with last year were beset by complexities arising from the loss of Channel 4 airtime, the introduction of a new basis of payment for network and

acquired programmes, and the implementation of the programme plans which UTV had submitted as part of its licence application.

They also noted that the improvement in profits was after deducting a half year pro-rata cash bid charge of £516,000 compared with an exceptional levy charge of £90,000.

The interim dividend is being lifted by 2p to 6.55p from earnings of 11.79p (10.29p).

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Notice to Shareholders

The Managing Board of INTRUM JUSTITIA N.V., a company incorporated and existing under the laws of the Netherlands Antilles, of which the registered office is located at Chumaceirokade 3, Willemstad, Curaçao, Netherlands Antilles, wishes to announce that it has been decided with the approval of the Supervisory Board to distribute an interim dividend for the 1993 financial year of 1.1 pence per ordinary share.

As of November 5, 1993 the interim dividend on ordinary shares will be payable at the following address:

Paying Agents
Kredietbank S.A. Luxembourg
43 Boulevard Royal
L-2955 Luxembourg
Luxembourg
Hambros Bank Limited
11 Tower Hill
London EC3N 4HA
United Kingdom

Bearer Shareholders are asked to submit Coupon No. 11 to the paying agents for collection of the dividend.

Furthermore shareholders are hereby informed that the Semi-Annual Report on the Group's activities and results during the first six months of the 1993 financial year will be available at the registered office of the Company, the paying agents as mentioned above and at Jansz Capel & Co Limited, Thames Exchange, 10 Queen Street Place, London EC4R 1BL, United Kingdom.

September 13, 1993.

Standard Chartered

Standard Chartered PLC

(Incorporated with limited liability in England)

US\$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 13th September 1993 to 13th October 1993 the Notes will carry interest at the rate of 3.50 per cent per annum.

Interest accrued to 13th October 1993 and payable on 12th January 1994 will amount to US\$29.17 per US\$100,000 Note and US\$291.67 per US\$100,000 Note.

West Merchant Bank Limited
Agent Bank

EUROPEAN COAL AND STEEL COMMUNITY ECU 15,000,000 8% BONDS DUE 1996

We inform the Bondholders that the redemption instalment of ECU 3,000,000, nominal due on November 7, 1993, has been satisfied by a drawing on August 24, 1993, in Luxembourg. The numbers of such drawn Bonds are as follows:

in denomination ECU 1,000:

152	169	164	171	178	187	188	189	190	192	193	199	203	206	209	213	220	223	226	233	234	237	249	256	259	261	262	263	275	
276	277	280	286	287	289	291	297	302	306	307	309	311	317	320	334	336	338	343	349	385	398	399	406	406	409	410	430	431	
444	452	455	475	484	488	489	495	496	501	506	511	512	514	518	520	527	528	530	536	538	547	552	567	572	573	574	575	580	
588	591	594	598	600	601	622	623	639	641	646	646	647	651	655	657	658	662	668	669	670	672	676	677	684	686	706	712	723	
728	735	742	744	747	768	769	770	776	778	799	798	794	798	800	807	808	818	819	822	825	836	839	845	851	853	856	867	868	
871	872	884	887	889	893	906	911	922	930	937	948	961	975	978	989	1001	1003	1012	1020	1024	1025	1026	1035	1036	1045	1047	1073	1082	
1085	1087	1089	1096	1098	1102	1104	1117	1124	1128	1127	1130	1134	1136	1138	1143	1155	1157	1159	1160	1162	1167	1176	1178	1182	1186	1195	1201	1202	1204
1205	1206	1211	1219	1220	1229	1232	1240	1242	1243	1251	1262	1266	1280	1286	1296	1297	1308	1313	1316	1324	1329	1330	1337	1351	1352	1371	1376	1382	
1385	1386	1389	1392	1396	1397	1403	1423	1431	1439	1440	1441	1442	1444	1448	1450	1454	1470	1472	1478	1483	1484	1488	1490	1493	1499	1508	1510	1514	
1518	1520	1521	1526	1531	1537	1540	1549	1556	1558	1563	1565	1569	1577	1578	1586	1588	1589	1592	1595	1600	1603	1606	1611	1618	1622	1628	1629	1638	
1640	1643	1654	1655	1656	1658	1661	1665	1671	1683	1690	1692	1695	1703	1705	1706	1707	1708	1713	1720	1732	1733	1738	1740	1758	1760	1762	1763	1764	
1768	1771	1772	1783	1792	1806	1814	1819	1828	1830	1832	1838	1840	1845	1846	1848	1858	1861	1863	1866	1868	1871	1874	1881	1882	1883	1886	1888	1889	
1902	1903	1904	1916	1920	1926	1929	1932	1935	1940	1962	1963	1964	1969	1976	1978	1981	1992	1993	2002	2005	2008	2010	2012	2013	2018	2022	2026	2027	
2039	2051	2057	2060	2061	2063	2068	2070	2079	2085	2087	2095	2097	2112	2122	2127	2133	2148	2150	2151	2160	2162	2163	2166	2171	2178	2179	2185	2186	
2187	2195	2200	2201	2206	2216	2218	2221	2228	2232	2236	2245	2246	2262	2265	2270	2278	2279	2280	2281	2282	2286	2305	2312	2331	2332	2337	2338	2352	
2353	2356	2365	2369	2371	2379	2385	2387	2388	2397	2409	2415	2416	2420	2440	2444	2448	2447	2450	2457	2468	2473	2474	2482	2486	2491	2496	2498	2500	
2504	2510	2511	2522	2523	2524	2534	2535	2558	2561	2567	2568	2578	2579	2580	2582	2587	2590	2593	2595	2604	2605	2608	2622	2633	2635	2636	2643	2644	
2653	2666	2667	2668	2672	2675	2677	2680	2681	2686	2690	2700	2705	2707	2709	2717	2721	2717	2723	2726	2729	2736	2741	2745	2749	2753	2756	2759	2769	
2762	2764	2767	2768	2776	2778	2782	2783	2784	2785	2789	2791	2795	2811	2816	2828	2841	2846	2851	2854	2860	2865	2868	2870	2872	2876	2877	2898	2899	
2888	2894	2895	2902	2903	2906	2911	2912	2915	2919	2920	2933	2938	2941	2942	2943	2950	2955	2960	2963	2967	2975	2977	2978	2980	2983	2988	2990	2995	
2998	3002	3008	3010	3011	3022	3024	3025	3027	3047	3050	3058	3064	3067	3082	3083	3090	3094	3096	3097	3101	3104	3108	3107	3113	3116	3138	3139	3151	
3156	3157	3159	3166	3171	3175	3177	3187	3190	3191	3203	3206	3215	3216	3218	3222	3229	3232	3237	3238	3241	3244	3250	3259	3261	3263	3278	3282	3283	
3284	3290	3297	3299	3304	3305	3307	3308	3318	3326	3327	3329	3339	3343	3344	3346	3350	3370	3376	3389	3390	3391	3405	3424	3429	3439	3444	3454	3459	
3478	3482	3488	3491	3492	3493	3494	3495	3496	3499	3502	3515	3524	3526	3528	3540	3551	3562	3571	3573	3574	3575	3578	3587	3591	3592	3604	3610	3615	
3620	3623	3629	3630	3634	3636	3643	3644	3645	3650	3655	3657	3659	3664	3669	3670	3676	3685	3691	3702	3707	3708	3719	3721	3722	3727	3728	3729	3734	
3735	3744	3748	3760	3766	3759	3768	3762	3767	3769	3771	3774	3783	3791	3809	3810	3811	3820	3823	3827	3829	3834	3839	3840	3847	3857	3860	3867	3868	
3870	3871	3873	3879	3882	3892	3911	3912	3915	3919	3922	3925	3928	3933	3945	3946	3953	3954	3954	3969	3971	3972	3973	3974	3975	3981	3984	3985	3993	
4001	4002	4005	4006	4013	4022	4024	4039	4042	4047	4052	4056	4061	4062	4064	4066	4075	4077	4087	4092	4093	4096	4104	4106	4108	4111	4123	4144	4147	
4148	4150	4153	4157	4173	4174	4177	4183	4185	4196	4198	4202	4212	4214	4218	4228	4239	4241	4242	4244	4249	4254	4257	4270	4283	4287	4292	4296	4299	
4300	4304	4307	4309	4316	4319	4329	4332	4337	4346	4351	4356	4359	4361	4383	4372	4383	4384	4385	4388	4393	4394	4396	4400	4411	4418	4421	4427	4428	
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4614	4617	4618	4627	4629	4636	4641	4653	4656	4658	4668	4662	4678	4681	4682	4688	4702	4711	4712	4714	4719	4738	4741	4743	4746	4751	4768	4770	4771	
4778	4800	4784	4796	4797	4798	4805	4812	4815	4817	4826	4831	4835	4844	4850	4852	4856	4859	4860	4868	4889	4879	4882	4894	4897	4898	4902	4904	4908	
4911	4912	4918	4920	4921	4931	4942	4943	4946	4957	4968	4980	4981	4988	4990	4992	4994	4998	4999	5009	5017	5022	5025	5034	5035	5038	5039	5044	5054	
5066	5088	5070	5072	5074	5083	5085	5087	5093	5094	5099	5102	5110	5124	5132	5141	5148	5149	5152	5163	5169	5178	5182	5184	5186	5192	5223	5235	5237	
5238	5245	5247	5249	5251	5253	5264	5265	5267	5290	5292	5312	5314	5317	5322	5323	5324	5326	5332	5334	5341	5344	5363	5365	5394	5397	5400	5406	5407	
5409	5422	5433	5437	5441	5443	5444	5445	5448	5448	5450	5452	5464	5473	5477	5483	5488	5488	5489	5491	5495	5501	5503	5507	5509	5518	5521	5545	5546	
5546	5550	5551	5553	5552	5553	5567	5567	5568	5571	5572	5575	5578	5580	5581	5582	5584	5585	5587	5591	5602	5603	5605	5606	5611	5612	5615	5618	5621	
5630	5633	5643	5649	5650	5650	5656	5656	5657	5658	5665	5675	5676	5686	5689	5694	5708	5708	5718	5732	5736	5744	5747	5748	5754	5756	5767	5774	5781	
5793	5794	5802	5806	5807	5809	5814	5816	5823	5825	5830	5834	5835	5837	5838	5841	5842	5846	5848	5848	5856	5858	5861	5866	5873	5875	5876	5881	5884	
5883	5884	5892	5894	5896	5903	5906	5912	5919	5920	5921	5922	5923	5924	5928	5936	5948	5950	5954	5955	5975	5976	5978	5981	5985	5987	5988	5997	6001	
6023	6024	6027	6028	6029	6037	6039	6040	6042	6045	6049	6056	6055	6056	6057	6058	6060	6065	6067	6077	6080	6081	6091	6092	6093	6101	6105	6106	6108	
6121	6125	6126	6148	6153	6159	6162	6169	6170	6172	6175	6176	6182	6194	6196	6204	6222	6227	6230	6231	6234	6242	6245	6246	6252	6257	6266	6281	6285	
6288	6291	6292	6296	6303	6312	6321	6328	6330	6331	6332	6334	6337	6354	6363	6366	6372	6375	6376	6382	6383	6384	6408	6409	6413	6414	6416	6421	6436	
6437	6452	6456	6459	6462	6464	6466	6471	6474	6475	6477	6482	6485	6488	6489	6504	6506	6509	6512	6513	6516	6517	6530	6544	6548	6551	6554	6557	6559	
6563	6571	6574	6582	6584	6585	6586	6587	6590	6604	6611	6612	6628	6630	6635	6646	6648	6649	6655	6665	6668	6683	6689	6695	6700	6707	6709	6712	6716	
6721	6722	6729	6731	6732	6733	6734	6737	6741	6744	6745	6751	6757	6758	6760	6761	6762	6768	6770	6774	6778	6780	6781	6787	6787	6801	6802	6806	6814	
6818	6821	6823	6826	6828	6846	6847	6848	684																					

COMPANIES AND FINANCE

Secret life of the rich and well-connected

Simon Davies and Kieran Cooke profile Hong Kong entrepreneur Mr Robert Kuok

Mr Robert Kuok Hock Nien is not a typical media tycoon. A Malaysian Chinese who has based himself in Hong Kong for more than a decade, Mr Kuok makes only rare public appearances and avoids any media contact.

He is typical of a select group of the region's overseas Chinese entrepreneurs. One business associate summed him up with: "He is very private, very well-connected, very pro-China, and very rich."

Mr Kuok has no expertise in newspapers, and his only media exposure is as a passive 33 per cent shareholder in TVB, Hong Kong's largest broadcasting station.

Mr Kuok's business empire stretches across national boundaries, encompassing a complex web of private and public companies, mostly controlled by relatives or trusts.

He earned his initial fortune in the commodities business, and is still known as Asia's "Sugar King". He established his first sugar manufacturing enterprise in Malaysia in the late 1950s, moving into sugar cultivation soon after. With steadily rising prices, Mr Kuok amassed millions

from his sugar dealing in the 1950s and early 1970s.

Later, Mr Kuok expanded outside the region, forming a joint venture with the French Cie Commercial Sucres et Denrees, the world's biggest sugar trader.

He became involved in the oil trading business, bought control of a Singapore shipping line and, through his listed Peris Plantations company in Malaysia, started cultivating rubber and palm oil as well as mining tin and iron ore.

As the commodities side of his empire was hit by low world prices, Mr Kuok concentrated on expanding into other sectors, notably his Shangri-La group of hotels. He now owns or operates 23 luxury hotels or resorts around the world.

The Kuok group has also moved into investments in housing schemes, in shopping complexes, and in beach resorts. Through all his business dealings, Mr Kuok showed himself to be adept at making the right connections and contacts - *guanxi* in Chinese.

Over the years he has built up a formidable network of regional business associates, including Mr Liem Sioe Liong, controller of the Salim group of

Indonesia, believed to be the world's biggest Chinese controlled group of companies.

"The Kuok empire is one of a handful of overseas Chinese companies that have influence in virtually every country in the region," says a Malaysian analyst.

"The amazing thing is it's still, fundamentally, a family-run business with the patriarch himself making the big decisions. And because its dealings are mostly informal and secretive, no one really knows just how much it's all worth."

Mr Kuok, who is 68, this year officially retired from the day-to-day running of the empire. In the traditional Chinese manner, the Hong Kong and Singapore/Malaysian operations were divided between two sons; but equally traditionally, Mr Kuok has kept a close eye on their activities and remains at the core of the decision making process.

One of the keys to his broad-based business network has been his ability to cultivate political contacts. He has made substantial contributions to a wide range of political causes, and is close to the leadership in Malaysia, Indonesia, the Philippines - and in China.

In 1976, Mr Kuok moved his headquarters from Singapore to Hong Kong, and became a permanent resident two years later. He owns two prime hotels, and his flagship company, Kerry, has been active in trading and stockbroking. However, from the start his attention has been firmly focused on China.

In 1984, he made his first significant investment in China, the \$480m World Trade Centre in Beijing. His Hong Kong-listed hotel arm, Shangri-La Asia, owns stakes in six mainland hotels, and he has committed billions of US dollars in investments ranging from an oil refinery and port development in China's Guangxi Province, to numerous property projects. Through these investments, he has also built up an immaculate portfolio of contacts in Beijing.

His only Hong Kong-listed vehicle, Shangri-La Asia, has mainland minority shareholders which include the Ministry of Foreign Economic Relations and Trade, and the Beijing office of China International Trade and Investment Corporation (Citic).

Mr Kuok has been closely

involved with the expansion of Citic's Hong Kong-listed arm, Citic Pacific, in which Mr Kuok is now the second-largest shareholder. He has a 13 per cent stake in the company, which has a stock market capitalisation of HK\$30bn.

Recently, Mr Kuok's Kerry group secured a 15 per cent interest in the HK\$7bn (US\$933.2m) Western Harbour tunnel, which will link Hong Kong Island with the new West Kowloon expressway leading up to the airport. The consortium also includes Citic and China Merchants, another leading Beijing company in Hong Kong.

It is these connections with Beijing, combined with his lack of media experience, which will inevitably colour perceptions of his acquisition of the South China Morning Post, his largest single Hong Kong investment.

In a written interview in 1991, Mr Kuok admitted he was "averse to dealing with the media". He will undoubtedly remain a distant figure in the workings of his newspaper, but few are prepared to believe that he will not provide both editorial and business direction.

Dresdner, BNP open joint bank in Russia

By Leyla Boulton in St Petersburg

DRESDNER BANK and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since the Bolshevik revolution.

Set in the former German embassy in St Petersburg, BNP-Dresdner Bank (Russia) has a capital of \$10m and a staff of 80.

However, a cloud was cast on the opening by the Russian parliament's proposed ban on foreign banks dealing with Russian customers. It is due to decide on Friday whether to finally enact this restriction, which would go into force next January and last until 1996.

The law confining foreign banks to dealing with foreign clients has been pushed through parliament by powerful Russian commercial banks fearing foreign competition. It is opposed by President Boris Yeltsin, the government, the central bank, and parliament's own sub-committee on banking.

They see foreign banks, five of which have already received full banking licences, as a source of western banking expertise and foreign investment.

One central bank official said yesterday he feared last-minute lobbying by the government and the central bank would fail to prevent parliament from going ahead with the law. Another, however, was quoted as saying the central bank would ignore any parliamentary ban.

Mr Anatoly Sobchak, the St Petersburg mayor who wants to restore the city to its pre-revolutionary role as Russia's banking centre, hailed "the courage and wisdom of the two banks in braving the risks to set up their bank".

SAS and Conair in charter deal

SCANDINAVIAN Airlines System and Conair, the Danish private airline, are to form Scandinavia's biggest charter holiday operation, Reuter reports from Copenhagen.

The deal will create a company - Newco - with a DKr2bn (\$300m) turnover and 1m passengers a year.

OMV warns of restructuring as losses continue

By Ian Rodger in Zurich

OMV, the troubled Austrian integrated oil and chemicals group, has reported a first-half operating loss of Sch552m (\$49m) after a loss of Sch584m in the same period last time.

The group, which had forecast a return to profit this year, has been badly hurt in recent months by low cost competition from eastern European refiners and chemical makers. It said it expected an operating loss of about Sch1bn in the full year, and was "unlikely" to pay a dividend.

It warned that large-scale restructuring measures were planned. These would involve the closure of chemical plants, the disposal of selected chemical and polymer processing activities, and the formation of business alliances in some chemical and plastics sectors.

The bad news followed a week of turmoil in OMV shares - among the most liquid and widely held Austrian equities - in response to speculation about the results and the cancellation of a press conference pending approval by the supervisory board of restructuring plans. The shares tumbled from Sch79 on Monday to a low of Sch70 before recovering to Sch74 at the week's close.

The group said its plastics division had "an extremely difficult time" in the first quarter, while earnings in the petrochemicals, refining and chemi-

cals businesses dropped sharply in the second quarter.

The extent of the deterioration was emphasised by the fact that the loss was incurred in spite of cost savings of Sch1bn through earlier rationalisation programmes. The group said it did not expect any improvement in market conditions in the coming months. Turnover was flat at Sch40bn, and cash flow rose 3.7 per cent to Sch2.34bn.

OMV said its exploration and production division improved operating profit from Sch20m to Sch260m, but mainly because of spending cuts and the sale of its Canadian subsidiary.

The important refining business widened its loss from Sch300m to Sch380m, partly because of weak prices but also because of increased competition from low-cost eastern European refineries.

The marketing division eked out a Sch30m profit after a loss of Sch80m, mainly because of the benefits of rationalising the petrol station network.

Losses in the chemicals division doubled to Sch430m, as prices in western European industrial markets slid. Eastern European competition hurt fertiliser sales and prices.

Plastics prices recovered slightly in the second quarter, but remained below previous year levels. The divisional loss expanded slightly to Sch70m from Sch60m.

LTV plans share offer to help reorganisation

By Richard Waters in New York

LTV, the third-biggest US steel producer, is planning an international share offering just weeks after emerging from seven years in bankruptcy protection.

The company plans to sell 20m new shares, 5m of them internationally, according to a filing last week with the Securities and Exchange Commission. Its share price fell 5% on the news, to end last week at \$11.

LTV said it planned to use the proceeds to support its capital spending and make contributions to its pension plan, among other things. As part of

the court-approved agreement with creditors that allowed it to emerge from bankruptcy in June, LTV agreed to pay \$650m into its pension fund at once to cover part of the plan's \$3m underfunding. It has to pay the remainder over the next 28 years.

The issue will be the second injection of capital for the steelmaker: its financial reorganisation also triggered a \$200m investment from Sumitomo Metal Industries of Japan, which now holds around 10 per cent of the company.

The share issue will be underwritten by Salomon Brothers, Goldman Sachs and Smith Barney.

HK securities house disciplined

By Simon Davies in Hong Kong

PEREGRINE Investments, the Hong Kong-listed pan-Asian securities business, has been disciplined by the colony's stock market regulators for misconduct concerning three flotations handled by the company.

Peregrine, which last year purchased 24 per cent of UK fund management group, Invesco MIM, has rapidly emerged as the largest independent merchant banking group in Hong Kong. It has strong commercial and equity links to some of the colony's leading businessmen, such as Mr Li Ka-shing, Mr Gordon

Wu and Citic's Mr Larry Yung.

A public reprimand was yesterday delivered to Peregrine's broking arm over activities in the shares of three companies floated by the group's merchant bank.

The Securities and Futures Commission also expressed concern that the listing rules had been breached in two of these flotations, where Peregrine failed to ensure that 25 per cent of the companies' shares were placed in public hands.

The SFC published three specific allegations against Peregrine Brokerage. It was accused of: engaging in stock trading "which was likely to be

prejudicial to the interests of the investing public"; contributing to a restricted free-float in the shares of three newly-listed companies; and failing to adequately monitor client trading activities.

Peregrine's dealing director, Mr Jimmy Pang, has had his licence suspended for 2½ years, and fellow director Mr Peter Wong has also been publicly reprimanded. Mr Pang has left the group.

Peregrine agreed to pay HK\$3.5m (US\$452,000) to a stock exchange compensation fund, "in recognition of the SFC's concerns about the three areas of misconduct". It also said it had taken steps to avoid repetition of "these problems".

Profits at Pacific Dunlop up strongly to A\$260m

By Nikki Tait in Sydney

PACIFIC Dunlop, the Melbourne-based industrial conglomerate, yesterday reported a 22.3 per cent advance in group profit after tax and abnormal items, at A\$260.4m (US\$170.4m) for the year ended June.

Before abnormal items, the rise was slightly smaller - up 21 per cent, while pre-tax operating profit rose 21.3 per cent to A\$254.7. Earnings per share stood at 37.5 cents. Turnover was 8.6 per cent higher at A\$6.3bn.

Mr John Gough, chairman, said the improvement in operating profit had been spread

across the group. The company was "ready for another period of strong growth", he said.

Performance was particularly marked at GNB Battery Technologies, where earnings before interest and tax advanced 67 per cent.

Elsewhere, solid results were returned by the distribution division, and by South Pacific Tyres and Pacific Dunlop Cables. In foods, the group was "on schedule to achieving the desired levels of profitability and returns".

Results from the footwear and textile business, and from the industrial, foam and fibre group were described as "satisfactory".

The Market Leader

managing Perpetual Debt and Preferred Stock Offerings for non U.S. Financial Institutions

\$100,000,000

Banco Bilbao Vizcaya

Banco Bilbao Vizcaya International (Gibraltar) Limited

9% Noncumulative Guaranteed Preferred Shares, Series B

Price \$25 Per Share

\$100,000,000

A/S Eksportfinans

8.75% Preferred Capital Securities

Price \$25 Per Capital Security

\$258,750,000

ANZ Bank

Australia and New Zealand Banking Group Limited

8.125% Capital Securities

Price \$25 Per Capital Security

\$500,000,000

Barclays Bank PLC

8% Convertible Capital Note Units, Series E

Convertible at the option of Barclays Bank PLC into Noncumulative Dollar-denominated Preferred Shares

Price \$25 Per Unit

\$195,000,000

Banco Santander

Santander Overseas Bank, Inc.

8% Noncumulative Guaranteed Preferred Stock, Series D

Price \$25 Per Share

\$250,000,000

National Westminster Bank

8.75% Noncumulative Preferred Shares, Series B

Price \$25 Per Share

Goldman Sachs

LONDON NEW YORK TOKYO FRANKFURT HONG KONG MADRID MILAN MONTREAL
MOSCOW PARIS SEOUL SINGAPORE SYDNEY TAIPEI TORONTO ZURICH

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* representative office

RICHEMONT

COMPAGNIE FINANCIERE RICHEMONT AG, ZUG, SWITZERLAND
RICHEMONT SA, LUXEMBOURG

The annual general meetings of Compagnie Financière Richemont AG, Zug, and Richemont SA, Luxembourg, which were held on 9 September 1993 have resolved that the following dividend be paid to holders of Richemont units:

Gross dividend per unit
Payable from
in respect of

£ 8.88 3/4
Tuesday, 28 September 1993
Coupon No. 5

The dividend will be paid to unitholders by Richemont SA and represents a dividend of 7.85%, including the preference dividend, on the amount of the reserve established in respect of the participation certificates issued by that company. The dividend is payable free of charges and without deduction of withholding tax.

Coupons may be presented for payment at any branch of the following banks:

Bank J. Vontobel & Co. AG
Pictet & Cie

Union Bank of Switzerland

Darier, Hentsch & Cie
Anlage- und Kreditbank AKB

13 September 1993

Compagnie Financière Richemont AG
6300 Zug, Switzerland

Richemont SA
Luxembourg

BUY-OUT BID FOR

SEXTANT
AVIONIQUE

shares by
ATEV

AT A PRICE OF **FRF 300** PER SHARE

REMINDER

THIS OFFER WILL CLOSE ON

17th SEPTEMBER 1993

Shareholders wishing to sell their Sextant Avionique shares are kindly requested to instruct their bank or stockbroker before this date.

The prospectus registered by the Commission des Opérations de Bourse under n° 93-401 as of 2nd September 1993 was published in Les Echos dated 7th September 1993. It is available from Crédit Commercial de France and the headquarters of the Company.

warns of
facturing as
continue

Technology is a magnificent thing. Unfortunately, it is also an unbelievably expensive thing.

Indeed, the latest technology could end up costing a company millions of pounds.

More's the pity, it doesn't stay the latest for very long. Which is why those companies who want to keep up with IT have to keep buying and buying and buying and buying new systems.

And, of course, all computer manufacturers have an interest in keeping selling and selling and

selling and selling them. Which last year alone led to computer companies turning over a tidy £700 billion.

Just for once, wouldn't it be nice if computers could do quite as much for the performance of your business? Well they can.

Because at EDS, the world's leader in applying information technology, we make sure that the systems you buy work a lot more effectively.

How? Firstly, by not producing our own computers, we are free

to find those that suit the needs of your company.

Secondly, we apply our know-how (gleaned from working in the public and private sectors in numerous key markets around the world) and then develop tailor-made programmes to make your business more competitive.

What's more, instead of simply presuming we know how to run your business, we start by first asking you precisely what you would like to achieve. We then use IT to help bring this about.

For example, when Citibank decided they wanted to introduce 24-hour telephone banking into France, they called us. We then helped them set this up in only 8 months. Normally it would have taken 18 months.

To find out exactly what EDS can do to help make sure your business reaches its goals call Alan Stevens on 081 754 4859.

Then who knows the next successful company to benefit from computers could be yours.

EDS

EDS. Because people grow businesses, not computers.

COMPUTERS HAVE HELPED TO GROW SOME OF THE MOST SUCCESSFUL COMPANIES IN THE WORLD. TROUBLE IS, THEY'RE COMPUTER COMPANIES.



If only your IT worked more effectively, perhaps your HQ could end up as big as this.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Signs point to extended advance

AFTER another fall in long-dated gilt yields and soothing words from the UK chancellor about public borrowing, bond investors see little on the horizon to interrupt the upward movement in prices of the past few months.

The drop of about 10 basis points in yields of 30-year gilts during the week brings the fall in the past month to roughly 70 basis points. In the year since sterling left the European exchange rate mechanism, yields for this class of gilts have dropped by more than 2 percentage points, underlining expectations that inflationary pressures will remain muted for some time.

Investors were cheered last week by comments by Mr Kenneth Clarke, the chancellor, that he was prepared for tough action in his Budget on November 30 to curb the growing gap between state spending and borrowing.

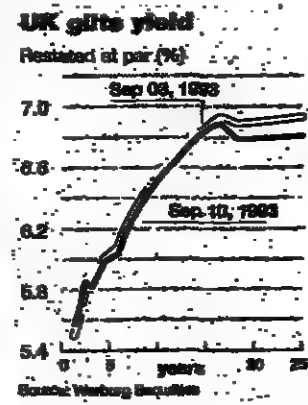
Although such remarks have become obligatory for any chancellor, Mr Clarke has expressed himself with enough force to persuade many gilt practitioners that he means what he says.

With a raft of government data this week - notably Wednesday's retail price index for August - about the UK economy, and an expected announcement by the Bank of England that a gilt auction of about £3bn will be held at the end of the month, trading over the next few days can be expected to pick up.

In the short term, funding will provide few worries for the market, given that the Bank has already sold about £30bn of the £45bn or so of gilts which it will probably have to despatch during this financial year. So the Bank probably sees no need to accelerate its programme of gilt sales, mainly through monthly auctions.

However, expectations that the Bank will sell internationally important 10-year stock at this month's auction slowed foreign demand for this type of gilt during the past week, one factor for yields being little changed in this section of the gilt curve.

Later in the 1990s, the volume of gilts needed to fund the high projected borrowing requirements may force up yields. That explains the inter-



est in the various strategies for pulling back the state deficit, which according to the Treasury's last forecasts in March will drop only marginally to £44bn in 1994-95 from £46bn this financial year. Many private-sector economists, including some of the Treasury's outside advisers, believe significant cuts in public spending may be needed, alongside the £16bn of tax increases already scheduled for the next two years.

The consensus among economists is that it would be diffi-

cult to make substantial inroads into the planned spending of £254bn in the next financial year. However later in the 1990s parts of the £70bn-a-year social security budget could be cut, especially in areas such as child benefit.

Professor Patrick Minford of Liverpool University, one of the "seven wise men" who advise the Treasury on economic policy, favours an urgent programme of public spending cuts from 1995-96.

Both Prof Minford and Mr Andrew Semance, head of economics at the Confederation of British Industry and another "wise man", see no need for Mr Clarke to announce more tax increases for next April. This is on the grounds that the expected recovery will automatically push up tax revenues.

However, Professor David Curran, head of economic forecasting at the London Business School and another Treasury adviser, believes the underlying deficit is so big that a further increase in taxes of up to £4bn may be needed from 1994-95.

The consensus among economists is that it would be diffi-

Peter Marsh

US MONEY AND CREDIT

Inflation watch proves unsettling

TAKE another cigarette from the packet. Light up, sit back and draw deeply. If you dwell for too long on the heights to which the US bond market has climbed, you'll need something to steady your nerves; and after all, smoking is now cheaper than it's been for years.

Cigarette prices have become one of the most powerful symbols of this deflationary era. Last month, the price of cigarettes tumbled by no less than 25.6 per cent. The price was sparked by Philip Morris earlier this year, when it announced a cut in the price of its Marlboro brand for a trial period (later made permanent), finally lit home.

The downward in cigarette prices accounted for the 0.6 per cent fall in the producer price index for finished goods in August, the biggest drop for more than two years. Without tobacco, the figures released on Friday showed a 0.2 per cent rise for the month.

After the three previous months of declines (reversing the up-tick in spring which seemed to herald a rise in inflation), the latest figures brought the annual rise in the producer price index down to a paltry 0.6 per cent.

The figures sparked yet another round of buying in the bond market's latest two-month surge. The benchmark 30-year Treasury bond staged a one-point rally, driving the yield down to 5.87 per cent. At

that level, the yield was seven basis points lower than a week before, and around 70 basis points lower than at the beginning of August.

It all feels like a year ago, when a weak August employment and prices figures raised questions about the strength of the US recovery.

The bond market bulls had something else to celebrate last week: a sharp setback in the gold price. The rally which had taken the price of gold from less than \$340 an ounce to nearly \$400 appeared in the early summer to herald a belief that resurgent inflation was about to make a comeback.

On Thursday, though, no less than \$14 an ounce was wiped off the price of gold, leaving it at around \$350 an ounce and putting the market back close to its lowest for seven years. Weak oil prices - which contributed to the August slump in the producer price index - have also raised the spirits of bond buyers.

Nevertheless, the Treasury market is becoming a dangerous place to be for those of a nervous disposition. Just a day before Friday's producer price numbers, the price of the long bond dropped a point and a half, driven down by news that the powerful House Ways and Means Committee was to review the exemption from withholding tax of foreign investors (the withholding tax was lifted in 1984).

Given the scale of the US

budget deficit, and the role played by foreigners in financing it, no-one seriously expects a withholding tax to be reimposed (a more likely reason for foreigners to stay out of the Treasury market is the weakening dollar.) However, the market was looking for the chance of a correction, and the withholding tax scare seemed as good an opportunity as any.

Were the last two days' trading a warning of greater volatility to come? Speaking during the relative calm of Wednesday, Mr Lief Olsen, a former chief economist of Citicorp, who now runs his own consultancy, Econ Consultants, cautioned that the bond market was about to enter a more volatile period.

After several months of low inflation, one or two months of higher-than-average price rises will be needed to keep inflation for the year at the 2.5 to 3 per cent level that most economists expect (the recent figures have not prompted economists to review their inflation forecasts downwards, whatever the

market markets' outlook). When the monthly data show a bigger rise in prices, how will the bond market react? Investors will be hard-pushed to tell whether it is just one month of higher prices, or whether the long-run trend has turned up, says Mr Olsen.

Mr David Hale, chief economist of Kemper Financial Services of Chicago, has a similar point to make. Writing ahead of last week's figures, he pointed to the likely inflationary effects of the mid-west flood on food prices, and the imposition of a gasoline tax. "The odds are high that there will be at least one or two months of 5 per cent inflation at annual rates during the fourth quarter. If industrial raw materials are also firming, there will probably be a setback in bond prices and the Fed will have another serious discussion about whether it should hike short-term interest rates," he said.

Time for another cigarette?

Richard Waters

HK developer in China move

NEW WORLD Development, one of Hong Kong's largest property developers, is launching a US\$200m Dublin-listed investment holding company to help fund expansion into mainland China, writes Simon Davies in Hong Kong.

The newly-formed company, New World China, will be 37.5 per cent owned by New World and will acquire a number of the parent company's existing China investments. Initially it will take on around US\$80m of existing projects.

GERMAN BONDS

D-Mark's strength provides support

AFTER last week's "rate cut that wasn't", German government bonds are expected to stay supported in the short term by the D-Mark's continuing strength.

Moreover, slow economic growth and the government's restrictive fiscal stance are expected to keep a lid on inflationary pressures, allowing the Bundesbank to cut rates further - albeit slowly - and supporting bonds in the longer term.

While the Bundesbank last week cut its discount and Lombard rates by a half point, to 6% and 7% per cent respectively, it lowered its more important repo rate by only 10 basis points, to 6.70 per cent, reaffirming its cautious easing stance.

Bund yields rose on the news on profit-taking after the recent rally. Ten-year yields have fallen some 110 basis points since the beginning of the year. In the past month

alone, they dropped by 25 basis points to 6.12 per cent.

However, last week's modest repo easing has capped long yields and boosted the D-Mark against the dollar and most European currencies. Most analysts say this scenario is likely to continue supporting bonds in coming weeks.

According to Mr George Magnus, chief international economist with SG Warburg, a reversal of the D-Mark's strength is unlikely. For one, European central banks will continue buying D-Marks to shore up their foreign reserves, which were depleted by heavy currency intervention during the recent crisis in Europe's exchange rate mechanism.

Moreover, as Germany's neighbours start exploiting their wider ERM fluctuation bands to cut rates independently, their currencies may weaken further against the D-Mark, he says. Lastly, Mr Magnus points out that

German real short-term rates are unlikely to fall much as their decline will go hand-in-hand with a decline in inflation.

The Bundesbank justified its latest rate cuts with ebbing inflation, lower-than-expected money supply growth, and the D-Mark's strength.

In western Germany headline inflation is currently running at 4.3 per cent, but economists expect the rate to fall to around 3.5 per cent by the year end, and well below 3 per cent in 1994.

M3 money supply, which grew by an annualised 7.4 per cent in July, is set to rise further in August, blotted by that month's heavy currency intervention.

However Bundesbank president Mr Helmut Schlesinger said recently he expected M3 to return to its 4.5 to 6.5 per cent target later this year. The Bundesbank regards M3 as an indicator of future inflation.

Meanwhile, Bonn's plans for a tighter fiscal stance indicate the total public-sector deficit as a percentage of GDP will fall in coming years from some 8 per cent in 1993. All this will support bonds in coming months, and analysts see 10-year yields falling to around 6 per cent by the year end, and as low as 5% per cent in 1994.

Continued rate cuts by the Bundesbank would enable investors to make quick profits by placing their money at the short end of the yield curve. But longer-term investors are still left off at the long end, most analysts concur.

"When the Bundesbank starts easing again, the shorter maturities should perform well," said Mr Rainer Back, bond strategist at DB Research, a Deutsche Bank subsidiary. "But over the longer term, the long end offers the best total returns."

Conner Middlemann

CORRECTION NOTICE
DONG AH CONSTRUCTION INDUSTRIAL CO., LTD
US \$ 100,000,000
FLOATING RATE NOTES 1997

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from September 8, 1993 to March 8, 1994 (181 days) has been fixed at 5% per annum.

The interest payable on March 8, 1994 will be US \$ 251.39 in respect of each US \$ 10,000 Note and US \$ 2,584.72 in respect of each US \$ 250,000 Note.

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CONTRACTS & TENDERS

HUNGARY
TELECOMMUNICATIONS PROJECT FOR THE
BUDAPEST TRUNK NETWORK

INVITATION TO TENDER

This Invitation to Tender follows the General Procurement Notice embracing this project which was published in Procurement Opportunities, No. 1 dated April, 1992.

The HUNGARIAN TELECOMMUNICATIONS CO. LTD (hereinafter referred to as HTC) has received a loan from the European Bank for Reconstruction and Development embracing a project for the development of the Budapest Trunk and Junction Transmission Network.

HTC now invites sealed tenders for a supply and installation contract with the following content:

Reconstruction and expansion of existing plant with an overall length of approximately 4 km and construction of new underground plant with an overall length of approximately 9 km and an average of 8 ductways throughout.

Installation of optical cables utilizing some 32 km of previously purchased Pirelli cables with an average of 40 fibres and some 74 km of new optical cables and an average of 40 fibres throughout.

Supply and installation of 140 x 34 Mbps and 51 x 140 Mbps optical line transmission systems and associated 2/34 Mbps and 34/140 Mbps multiplex equipment.

The works to be executed under this contract cover almost the entirety of the Budapest territory.

Tendering for contracts to be financed with the proceeds of a loan from the European Bank for Reconstruction and Development is open to firms from all countries.

Tender documents may be inspected at the address below as from 22nd September, 1993 and purchased upon payment of a non refundable fee of USD 400 (local companies shall pay HUF 39,600). Remittances shall be made to the account of Inteltrade Co. Ltd with Citibank, Budapest number 98931/2949 - 008 using the following reference:

EBRD Tender No. TB-106/KA

Tender documents will be made available on presentation of the receipt for the effected remittance from

INTELTRADE CO. LTD.

Mr Attila Kovács, Head of Procurement Dept.
Budapest, II, Medve utca 25-29, 1027, Hungary
Tel: (+36-1) 201-0054 or 175-4590
Fax: (+36-1) 201-0017 or 201-0008

All tenders must be accompanied by a bid security, in an acceptable form, of 3% of the value of the bid in any freely convertible currency and must be delivered to the above address not later than 11.00 am on 23 November, 1993. The tenders will be opened promptly thereafter in the presence of the tenderers' representatives who choose to attend.

LEGAL NOTICES

NOTICE OF THE COURT OF JUSTICE
CHANCERY DIVISION
MR REGISTRAR
IN THE MATTER OF THE
MANCHESTER SHIP CANAL COMPANY
AND
THE COMPANIES ACT 1985
NOTICE OF MEETINGS

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the Companies Act 1985, the Court has directed separate meetings to be convened of the holders of the Scheme Ordinary Shares; and (ii) the Scheme Preference Shares; and (iii) the Scheme Ordinary Shares; and (iv) the Scheme Preference Shares; and (v) the Scheme Ordinary Shares; and (vi) the Scheme Preference Shares; and (vii) the Scheme Ordinary Shares; and (viii) the Scheme Preference Shares; and (ix) the Scheme Ordinary Shares; and (x) the Scheme Preference Shares; and (xi) the Scheme Ordinary Shares; and (xii) the Scheme Preference Shares; and (xiii) the Scheme Ordinary Shares; and (xiv) the Scheme Preference Shares; and (xv) the Scheme Ordinary Shares; and (xvi) the Scheme Preference Shares; and (xvii) the Scheme Ordinary Shares; and (xviii) the Scheme Preference Shares; and (xix) the Scheme Ordinary Shares; and (xx) the Scheme Preference Shares; and (xxi) the Scheme Ordinary Shares; and (xxii) the Scheme Preference Shares; 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INTERNATIONAL BONDS

RISK AND REWARD

Divisions hazy in OTC derivatives clearing debate

Mr Graham Duncan, managing director of Echo, says the scope may be extended to include longer-dated, derivative instruments. However, the issue is a complex one. In the foreign exchange market, the main worry is settlement risk: overnight exposure to a credit often for very large amounts of

In the derivatives market there is not only the initial settlement risk, but credit risk continues throughout the life of the swap. If a clearing house were involved, the clearing house, not another bank or company, would become the counterparty.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
MDX Public Co(p)s	80	Sep.2003	4.75	100	-	-	Nature Intermecol
Cheung Kong Finance Cayman	500	Sep.1998	5.50	98.51R	6.521	+83 (4%*-08)	Goldman Sachs Int.
Telefonos de Argentina	300	Oct.2000	3.575%	98.81R	8.450	+348 (9%*-04)	Citibank Intermecol
Oleumora Corp.	100	Sep.1997	4.875	100%	4.676	+47 (4)	Mitsubishi Finance Int.
Sapient Int. Corp.(p)s	80	Sep.2003	5%	100	-	-	Sachs Bank Corp.
World Bank	1,25bn	Sep.2003	5.25%	99.401R	5.328	+10 (5%*-03)	Lahman Brothers/HK
ICI Ireland Finance	100	Sep.1997	(h)	100	-	-	Sarney Int. Finance, HK
Thermo Instrument Systems(p)s	100	Sep.2000	3.75%	100	-	-	Lahman Brothers Int.
BIC Bank	80	Mar.1999	10%	99.872R	10.059	+615 (4)	Lahman Brothers Int.
Amer Master Trust 1983(p)s	800	Sep.2000	5.375%	99.254R	5.400	+38 (9%*-00)	Lahman Brothers Int.
Westpac Banking Corp.	350	Oct.1996	(h)	99.95R	-	-	Salomon Brothers Int.
Hyundai-Ocean	200	Oct.2005	8%	99.75R	-	-	Redwood Peabody Int.
Banking(Grd. Cay. Branch)(p)	150	Oct.1996	8.25%	99.84R	8.273	+615 (4%*-08)	CSFB
BNL (Hong Kong Branch)(p)	50	Oct.2003	(h)	100.131R	-	-	Morgan Stanley Int.
Toyota Motor Credit Corp.	50	Sep.1995	5	100	-	-	GSFS
Republic of Venezuela	2250	Sep.1996	9%	(h)	-	+236 (9%*-08)	Goldman Sachs Int.
Republic of Venezuela	250	Sep.1996	(h)	(h)R	-	-	Goldman Sachs Int.
United Mont. Bank of Sweden	100	Oct.1998	8%	99.56R	-	-	Chemical /Investment Bank
Banco Safra	100	Sep.1998	8%	100R	8.000	-	ING Barings Int.
Banco Chiriquiano	80	Oct.1996	8.75%	99.76R	8.487	+473 (4%*-08)	ING Bank
DM-MARKS							
Bayrische Vereinsbank O'Name	800	Oct.2003	6.25	101.90	6.992	-	Bayrische Vereinsbank
Kingdom of Belgium	1bn	Oct.2003	6.25	98.63R	8.301	+18 (4%*-03)	OCIBP
UKG Baden Württemberg(p)	500	Sep.2006	6.50	102.85	8.203	-	J.P. Morgan
STERLING							
Berlayca Bank(p)	150	undated	8	100.458R	8.989	+55 (9%*-17)	Berlayca de Zoete Wadd
FRENCH FINANCE							
Credit Foncier de France(p)	800	Feb.2007	11.875	114.61	6.690	+18 (4%*-08)	CSFB
YEN							
Kos Corp.(p)s	100bn	Dec.1998	4.50	100	-	-	SunLife Finance Int.
Kos Corp.(p)s	100bn	Dec.1997	(h)	99.90R	-	-	Rui Int. Finance
Henley Corp.(p)	100bn	Jan.2004	4.00	99.35R	-	-	Stern International
Henley Corp.(p)	100bn	Jan.2002	4.75	100.073R	-	-	Deutsche Europ
Ehara Corp.(p)	100bn	Dec.2000	4.50	100.20R	-	-	D&B International
Mitsubishi Corp. Finance(p)	100bn	Oct.1997	3.80	100.26R	-	-	Rui Int. Finance
Mitsubishi Corp. Finance(p)	100bn	Dec.1998	4.50	100.26R	4.92%	-	Deutsche Europ

[illegible]

and loans and non-cumulative interest. The yield spread over relevant government bonds at launch is supplied by the fund manager. ¹⁰ The manager, ¹¹ *Scorwobitel*, ¹² *Scorwobitel*, ¹³ *Scorwobitel*, ¹⁴ *Scorwobitel*, ¹⁵ *Scorwobitel*, ¹⁶ *Scorwobitel*, ¹⁷ *Scorwobitel*, ¹⁸ *Scorwobitel*, ¹⁹ *Scorwobitel*, ²⁰ *Scorwobitel*, ²¹ *Scorwobitel*, ²² *Scorwobitel*, ²³ *Scorwobitel*, ²⁴ *Scorwobitel*, ²⁵ *Scorwobitel*, ²⁶ *Scorwobitel*, ²⁷ *Scorwobitel*, ²⁸ *Scorwobitel*, ²⁹ *Scorwobitel*, ³⁰ *Scorwobitel*, ³¹ *Scorwobitel*, ³² *Scorwobitel*, ³³ *Scorwobitel*, ³⁴ *Scorwobitel*, ³⁵ *Scorwobitel*, ³⁶ *Scorwobitel*, ³⁷ *Scorwobitel*, ³⁸ *Scorwobitel*, ³⁹ *Scorwobitel*, ⁴⁰ *Scorwobitel*, ⁴¹ *Scorwobitel*, ⁴² *Scorwobitel*, ⁴³ *Scorwobitel*, ⁴⁴ *Scorwobitel*, ⁴⁵ *Scorwobitel*, ⁴⁶ *Scorwobitel*, ⁴⁷ *Scorwobitel*, ⁴⁸ *Scorwobitel*, ⁴⁹ *Scorwobitel*, ⁵⁰ *Scorwobitel*, ⁵¹ *Scorwobitel*, ⁵² *Scorwobitel*, ⁵³ *Scorwobitel*, ⁵⁴ *Scorwobitel*, ⁵⁵ *Scorwobitel*, ⁵⁶ *Scorwobitel*, ⁵⁷ *Scorwobitel*, ⁵⁸ *Scorwobitel*, ⁵⁹ *Scorwobitel*, ⁶⁰ *Scorwobitel*, ⁶¹ *Scorwobitel*, ⁶² *Scorwobitel*, ⁶³ *Scorwobitel*, ⁶⁴ *Scorwobitel*, ⁶⁵ *Scorwobitel*, ⁶⁶ *Scorwobitel*, ⁶⁷ *Scorwobitel*, ⁶⁸ *Scorwobitel*, ⁶⁹ *Scorwobitel*, ⁷⁰ *Scorwobitel*, ⁷¹ *Scorwobitel*, ⁷² *Scorwobitel*, ⁷³ *Scorwobitel*, ⁷⁴ *Scorwobitel*, ⁷⁵ *Scorwobitel*, ⁷⁶ *Scorwobitel*, ⁷⁷ *Scorwobitel*, ⁷⁸ *Scorwobitel*, ⁷⁹ *Scorwobitel*, ⁸⁰ *Scorwobitel*, ⁸¹ *Scorwobitel*, ⁸² *Scorwobitel*, ⁸³ *Scorwobitel*, ⁸⁴ *Scorwobitel*, ⁸⁵ *Scorwobitel*, ⁸⁶ *Scorwobitel*, ⁸⁷ *Scorwobitel*, ⁸⁸ *Scorwobitel*, ⁸⁹ *Scorwobitel*, ⁹⁰ *Scorwobitel*, ⁹¹ *Scorwobitel*, ⁹² *Scorwobitel*, ⁹³ *Scorwobitel*, ⁹⁴ *Scorwobitel*, ⁹⁵ *Scorwobitel*, ⁹⁶ *Scorwobitel*, ⁹⁷ *Scorwobitel*, ⁹⁸ *Scorwobitel*, ⁹⁹ *Scorwobitel*, ¹⁰⁰ *Scorwobitel*, ¹⁰¹ *Scorwobitel*, ¹⁰² *Scorwobitel*, ¹⁰³ *Scorwobitel*, ¹⁰⁴ *Scorwobitel*, ¹⁰⁵ *Scorwobitel*, ¹⁰⁶ *Scorwobitel*, ¹⁰⁷ *Scorwobitel*, ¹⁰⁸ *Scorwobitel*, ¹⁰⁹ *Scorwobitel*, ¹¹⁰ *Scorwobitel*, ¹¹¹ *Scorwobitel*, ¹¹² *Scorwobitel*, ¹¹³ *Scorwobitel*, ¹¹⁴ *Scorwobitel*, ¹¹⁵ *Scorwobitel*, ¹¹⁶ *Scorwobitel*, ¹¹⁷ *Scorwobitel*, ¹¹⁸ *Scorwobitel*, ¹¹⁹ *Scorwobitel*, ¹²⁰ *Scorwobitel*, ¹²¹ *Scorwobitel*, ¹²² *Scorwobitel*, ¹²³ *Scorwobitel*, ¹²⁴ *Scorwobitel*, ¹²⁵ *Scorwobitel*, ¹²⁶ *Scorwobitel*, ¹²⁷ *Scorwobitel*, ¹²⁸ *Scorwobitel*, ¹²⁹ *Scorwobitel*, ¹³⁰ *Scorwobitel*, ¹³¹ *Scorwobitel*, ¹³² *Scorwobitel*, ¹³³ *Scorwobitel*, ¹³⁴ *Scorwobitel*, ¹³⁵ *Scorwobitel*, ¹³⁶ *Scorwobitel*, ¹³⁷ *Scorwobitel*, ¹³⁸ *Scorwobitel*, ¹³⁹ *Scorwobitel*, ¹⁴⁰ *Scorwobitel*, ¹⁴¹ *Scorwobitel*, ¹⁴² *Scorwobitel*, ¹⁴³ *Scorwobitel*, ¹⁴⁴ *Scorwobitel*, ¹⁴⁵ *Scorwobitel*, ¹⁴⁶ *Scorwobitel*, ¹⁴⁷ *Scorwobitel*, ¹⁴⁸ *Scorwobitel*, ¹⁴⁹ *Scorwobitel*, ¹⁵⁰ *Scorwobitel*, ¹⁵¹ *Scorwobitel*, ¹⁵² *Scorwobitel*, ¹⁵³ *Scorwobitel*, ¹⁵⁴ *Scorwobitel*, ¹⁵⁵ *Scorwobitel*, ¹⁵⁶ *Scorwobitel*, ¹⁵⁷ *Scorwobitel*, ¹⁵⁸ *Scorwobitel*, ¹⁵⁹ *Scorwobitel*, ¹⁶⁰ *Scorwobitel*, ¹⁶¹ *Scorwobitel*, ¹⁶² *Scorwobitel*, ¹⁶³ *Scorwobitel*, ¹⁶⁴ *Scorwobitel*, ¹⁶⁵ *Scorwobitel*, ¹⁶⁶ *Scorwobitel*, ¹⁶⁷ *Scorwobitel*, ¹⁶⁸ *Scorwobitel*, ¹⁶⁹ *Scorwobitel*, ¹⁷⁰ *Scorwobitel*, ¹⁷¹ *Scorwobitel*, ¹⁷² *Scorwobitel*, ¹⁷³ *Scorwobitel*, ¹⁷⁴ *Scorwobitel*, ¹⁷⁵ *Scorwobitel*, ¹⁷⁶ *Scorwobitel*, ¹⁷⁷ *Scorwobitel*, ¹⁷⁸ *Scorwobitel*, ¹⁷⁹ *Scorwobitel*, ¹⁸⁰ *Scorwobitel*, ¹⁸¹ *Scorwobitel*, ¹⁸² *Scorwobitel*, ¹⁸³ *Scorwobitel*, ¹⁸⁴ *Scorwobitel*, ¹⁸⁵ *Scorwobitel*, ¹⁸⁶ *Scorwobitel*, ¹⁸⁷ *Scorwobitel*, ¹⁸⁸ *Scorwobitel*, ¹⁸⁹ *Scorwobitel*, ¹⁹⁰ *Scorwobitel*, ¹⁹¹ *Scorwobitel*, ¹⁹² *Scorwobitel*, ¹⁹³ *Scorwobitel*, ¹⁹⁴ *Scorwobitel*, ¹⁹⁵ *Scorwobitel*, ¹⁹⁶ *Scorwobitel*, ¹⁹⁷ *Scorwobitel*, ¹⁹⁸ *Scorwobitel*, ¹⁹⁹ *Scorwobitel*, ²⁰⁰ *Scorwobitel*, ²⁰¹ *Scorwobitel*, ²⁰² *Scorwobitel*, ²⁰³ *Scorwobitel*, ²⁰⁴ *Scorwobitel*, ²⁰⁵ *Scorwobitel*, ²⁰⁶ *Scorwobitel*, ²⁰⁷ *Scorwobitel*, ²⁰⁸ *Scorwobitel*, ²⁰⁹ *Scorwobitel*, ²¹⁰ *Scorwobitel*, ²¹¹ *Scorwobitel*, ²¹² *Scorwobitel*, ²¹³ *Scorwobitel*, ²¹⁴ *Scorwobitel*, ²¹⁵ *Scorwobitel*, ²¹⁶ *Scorwobitel*, ²¹⁷ *Scorwobitel*, ^{218</}

This solution may not be favourably viewed by the top-rated banks, which currently not only have a competitive advantage, but are able to charge a premium of 5 or 10 basis points to their clients, because of their strong credit ratings. Since most of them are not keen to sacrifice this advantage, the chances of a pan-industry drive for derivative instruments appear slim.

There is another more serious argument, which suggests that an OTC clearing house could actually increase, rather than reduce, risk. It goes like this: bank deposit guarantee schemes have proved dangerous because investors take the view that, as long as their money is guaranteed, they should go for the best return regardless of credit.

Similarly, in a clearing house agreement, low-rated banks could be given excessively large credit lines by other banks because they know they do not have to worry about credit.

However, there are pressures in the other direction too: regulatory and capital pressures may yet drive banks towards multilateral clearing in the OTC market.

Tracy Corrigan

Tracy Corrigan

This announcement appears as a matter of record only.

**Birmingham
Midshires
Building Society**

£160,000,000
Syndicated Term Loan

Arranged by
Baring Brothers & Co., Limited

Lead Managers

Barclays Bank Plc ♦ Bayerische Landesbank Girozentrale
London Branch

Credit Suisse ♦ The Royal Bank of Scotland plc
Citywest Building, Birmingham

Co-Managers

Baring Brothers & Co., Limited ♦ Deutsche Bank AG London

The Fuji Bank, Limited ♦ The Sakum Bank, Limited

The Sumitomo Bank, Limited

Participants

Lloyds Bank Plc

Bank of Scotland ♦ Den Danske Bank

The First National Bank of Chicago ♦ GiroCredit Bank
London Branch

Morgan Guaranty Trust Company of New York ♦ National Bank of Abu Dhabi

Nomura Bank International plc ♦ Wesdeutsche Landesbank Girozentrale
London Branch

Yamaichi Bank (U.K.) Plc

Facility Agent
Baring Brothers & Co., Limited

**Internationale
Nederlanden Bank N.V.**

US\$200,000,000
Subordinated collared
floating rate Notes
due 2002

Notice is hereby given that for the interest period 13 September 1993 to 11 March 1994 the notes will carry an interest rate of 5.125% per annum. Interest payable on 11 March 1994 will amount to US\$254.83 per US\$10,000 note and US\$6,370.66 per US\$250,000 note.

Agent: Morgan Guaranty
Trust Company

JPMorgan

The Financial Times plans to publish a Survey on

MEXICO

**on Monday,
October, 11th 1963**

against a backdrop of next year's Presidential elections, and with the North America Free Trade Agreement still hanging in the balance.

The survey will include among other topics, assessments of the economy, the banks and brokerages, and examine Mexico and its standing on the international markets, as well as spotlighting the country's most important companies.

Information on advertising opportunities and rates can be obtained from Paul Maravalliga on 071-783 5447 or Fax 071-783 5596.

This announcement appears as a matter of record only

Fyffes

Fyffes plc
through its wholly-owned subsidiary
Fyffes Group Ltd

has established a Spanish joint venture company with

**Grupo Regional de Cooperativas del
Archipiélago Canario (COPLACA)**


COPLACA

The undersigned initiated the transaction and acted as financial advisor to Fyffes

The Chase Manhattan Bank, N.A.

July 1993

HongkongBank 

The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(SECOND SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the Interest payable on the relevant Interest Payment Date December 13, 1993, in respect of US\$5,000 nominal of the Notes will be \$63.19 and in respect of \$100,000 nominal of the Notes will be \$1,263.59.

September 13, 1993, London
By: Citibank, N.A., (Issuer Services), Agent Bank **CITIBANK** 


U.S. \$275,000,000
of which
U.S. \$200,000,000 has been issued as the Initial Tranche
The Bank of New York Company, Inc.
Floating Rate Subordinated Capital Notes due 1997
Notice is hereby given that the Rate of Interest has been fixed at 5.25%
p.a. and that the interest payable on the relevant Interest Payment Date,
December 13, 1993 against Coupon No. 32 in respect of U.S.\$10,000
nominal of the Notes will be U.S.\$132.71.

September 13, 1993, London
By: Citibank N.A. (Issuer Services), Reference Agent **CITIBANK**

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July 1993

**CHASE**

Journal of Management Education

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INDICES

2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		1187		1186		1185		1184		1183		1182		1181		1180		1179		1178		1177		1176		1175		1174		1173		1172		1171		1170		1169		1168		11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10	374.9	385.10 (31.6)	295.70 (47)
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[illegible]

2.1	1284.4	1338.10 (100%)	879.10 (2011)
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[illegible]**TOKYO - Most Active Stocks**[illegible]

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$\chi^2 = 0.86$, $p = 0.97$

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on yen

THE FOCUS in currency markets will be on the Japanese yen this week, amid expectations that the authorities in Tokyo are on the verge of unveiling a package of measures to stimulate the economy, writes James Blitz.

On Friday, the yen came under strong selling pressure against the dollar as dealers took the view that the authorities in Tokyo were about to implement their third successive fiscal boost to the economy, possibly cutting the official discount rate in the process.

UK clearing bank base lending rate 8 per cent from January 26, 1993

Last week, Mr Masao Kubota, the Economic Planning Agency Minister, said that the prime minister wanted a one trillion yen package to improve the social infrastructure.

Another factor pushing the yen lower may have been reports that the Japanese foreign minister had said that Tokyo could set targets for the

reduction of the trade surplus. Mr Ian Gunner, an economist at Chase Manhattan Bank in London, says the yen is likely to come under strong pressure this week - and he expects it to fall as low as ¥110 in the next few weeks.

European dealers are likely to be preoccupied with developments in France and Germany.

Following last week's Bundesbank rate cut, there are expectations that the French could take the opportunity to ease policy in their money market operations. However, many dealers expect the strength of the D-Mark to persist, and this may stay the hand of France's hand for a while longer.

In the US, the markets will focus on August consumer prices, retail sales and industrial production. The CPI is forecast to rise 0.3 percent, after Friday's 0.6 percent fall in producer prices. Retail sales are expected to rise 0.1 percent with industrial production up a modest 0.3 percent.

POUND SPOT - FORWARD AGAINST THE POUND

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

EXCHANGE CROSS RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

EURO CURRENCY INTEREST RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

FT LONDON INTERBANK RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

MONEY RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

LONDON MONEY RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

FT-Actuaries World Indices

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

NATIONAL AND REGIONAL MARKETS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

THE WORLD INDEX

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

LONDON RECENT ISSUES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

FIXED INTEREST STOCKS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

RIGHTS OFFERS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

BANK OF ENGLAND TREASURY BILL TENDER

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

WEEKLY CHANGE IN WORLD INTEREST RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

BASE LENDING RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

STOCK INDICES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

LONDON SHARE SERVICE

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

BRITISH FUNDS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

OTHER FIXED INTEREST

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

MONEY MARKET FUNDS

Money Market Trust Funds

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

Money Market Bank Accounts

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

STERLING INDEX

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

CURRENCY MOVEMENTS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

OTHER CURRENCIES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

CURRENCY RATES

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

FT-Actuaries World Indices

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

NATIONAL AND REGIONAL MARKETS

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

THE WORLD INDEX

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

FT-Actuaries World Indices

Day's term	Rate	Day's term	Rate
1 month	1.5450	12 months	1.5450
3 months	1.5450	18 months	1.5450
6 months	1.5450	24 months	1.5450

settling
Richard Wain
China move

INVESTMENT TRUSTS - Cont.

Bro Day Pr	34	—	—	0.21	—	3691
Andrew	814	—	—	32.7	—	3881
David's Inc.	137	—	7.95	Oct Apr	94.3	19.7
cap	234	-7	14.5	Delta-June	8.63	19.7
cap	198	—	—	—	6.36	—
cap	150	—	—	—	10.2	—
UT Inc.	7	—	—	4.7	Dec Jan	11.0
cap	1006	-1.8	—	—	10.4	9823
cap Korea Feed	578	—	82.4	—	18.6	3322
Korins	242	—	—	620	Jun	4.42
cap Spill Inc.	1160	-2.1	—	—	2.8	—
cap	27	-1.8	—	7.97	Jul-Dec	65.7
cap	1982	0.9	—	—	7.84	—

MINES - Cont.

MINES - Cont.	
Q&A	Deer Creek
121	Deer Creek
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Table with multiple columns listing stock prices, including company names, stock symbols, and prices. Includes sub-sections like -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-.

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FINANCIAL TIMES
Perrier bottle ends with something for everyone

MONDAY INTERVIEW

Designs on the detractors

Francis Duffy, president of the Royal Institute of British Architects, speaks to Lucy Kellaway

Architects have never had it so bad. The recession has put a third of them out of work. Clients have become more demanding in terms of both service and price. The construction industry has hijacked some of their traditional functions. The public, from Prince Charles down, has found good sport in ridiculing their work.

The government has now joined the battle: not only is it threatening to cut funding for architecture courses, it is considering tampering with the profession's very name. In February it published a proposal that would allow anyone to call himself or herself an architect, no matter how poorly trained or inexperienced.

The profession is in dire need of a champion. Francis Duffy, chairman of architectural firm DEGW, has taken on that role following his appointment as president of the Royal Institute of British Architects. Duffy will get a chance to fight for his fellow architects on Friday, when he attends a meeting in Brussels of the Architects Council of Europe to discuss the future of the profession over the next 20 years.

Initially, he might seem an unlikely champion for the profession. He has seldom built anything, and has made his name as a theorist in the obscure area of space management in office buildings. Yet his very distance may be an asset: Duffy is going to be judged on his ability to convince the outside world that, as he puts it, "design matters and professional matters".

The task is daunting. On one side is "this wretched government and this deal-saturated, unthinking, cheapo culture". On the other are "these poor, kicked-around, disappointed architects". He must find a way of convincing the first of the worth of the second.

Speaking in his stylishly functional King's Cross office a few days before his appointment, Duffy leaves no doubt as to his commitment to the cause. "I don't want to sound as if I'm whingeing, as I am extremely aggressive and outgoing. But I am steamed up about the ways in which we are being kicked around," he says. His delivery is soft, rapid and uniform in tone.

Being steamed up is not

enough. He must demonstrate that the title of architect deserves legal protection.

"Would you applaud deregulation in medicine?" he asks. Yet architects are not like doctors, who need medical qualifications in order to practise. By contrast, there is no law to prevent anyone from designing buildings, yet under legislation from the 1930s only those with RIBA-approved training can use the name architect.

Duffy experiments with another analogy: "Take a bottle of champagne. It gets that name not from a chemical analysis of its contents, but the process by which it is made." Likewise, he argues, the name "architect" is "an important consumer marker. It has a built-in assumption of competence that relates to the training and experience."

But is he right to put so much into this fight over a name? Duffy starts to get cross. "God knows I'm not doing this for fun," he says. Surely architects could follow accountants, and call themselves chartered architects if they had the qualifications approved of by the RIBA? Duffy pulls a face.

"I think of Blake: *I wander thro' each charter'd street/Near where the charter'd Thames does flow*. And mark'd in every face I meet/Marks of weakness, marks of woe. A thing is a thing. I don't want a qualifier. It's my name."

Displaying an almost touching optimism, Duffy seems confident that architects will win this battle. "There is a resonance. It's quite widespread." In any case, he says, the argument is not just about a name. It is a symbol of the need for a debate about the future of design. Partly thanks to Prince Charles, a public debate is under way, yet according to Duffy its substance is banal. "I like this, you like that, you're a fool - it does not strike me as an elevated discussion."

Getting an intelligent debate going may not be easy. Public enemy number one is the government. A close second is what Duffy calls "the supply side", which means the construction and property companies. He argues that the prevailing supply-side mentality is to get things built as quickly as possible to ensure instant gratification for shareholders.



'These kicked-around, disappointed architects'

"Many on the supply side say that design is a luxury, that you need one Richard Rogers a century. That devalues design."

On his list of villains, architects themselves do not escape without a mention. He argues that most have got too far from their clients, and many are inclined to dwell on past glories rather than defining a new mission. He admits that the profession is "an economic failure". He diagnoses a "lack of commercial nous".

PERSONAL FILE

1940 Born in north of England. 1967-70 Harkness Fellow of the Commonwealth Fund.

1973 Co-founded DEGW partnership.

1989 DEGW incorporated, with Duffy as chairman.

1992 The Changing Workplace published.

1993 The Responsible Workplace published. President of the Royal Institute of British Architects.

But how have architects persisted in these uncommercial ways when other professions have been forced to come to terms with market-mad Britain? Duffy replies: "We have not recovered from the trauma of having been so important in the 1950s and 1960s as handmaidens of the welfare state. Until the 1970s architects working for commerce were despised. We haven't found a comparable commercial apparatus to get us into the 1980s and 1990s."

Last year Duffy chaired a RIBA committee which set out to find a new strategic direction for the profession. Its conclusions were not dissimilar to those reached by many underperforming British companies over the past decade: archi-

facts must get closer to their clients, and understand better what they want. They must strengthen their hold over their central function - design - and should also branch out into other design and management-based services.

"If we know what our mission is, we should feel no threat," he says. Architecture is "knowledge about invention, design and understanding patterns of use".

Above all, it is about defining the future. On this subject, Duffy gets carried away. "We ought to be thinking about what Britain is doing in 700 years," he says.

In office design, the area which he has made his own, Duffy is looking further ahead than most, even if he is not quite building offices for the year 693.

He believes that the nature of work, and the shape of organisations are undergoing their most important change in 100 years. Office buildings, which he says have not changed much since Frank Lloyd Wright designed the office towers in Chicago at the beginning of the century, must be rethought too.

Under the old corporate hierarchies, the space allocated to each worker was a reflection of how important they were. The new flat organisational structures, with their team-working and flexi-time, call for a complete redesign of office space. Duffy argues that, unless buildings change, companies may find their plans to change their organisations frustrated.

Enthusiastic, he talks of offices at IBM, Digital and Arthur Andersen, where the basic unit of design is not the individual but the group, in which no one has his or her own space. It might be cheaper but is it really better? Don't people

need to have their own desks? He looks exasperated. "These are conventions," he says. "It's like the club, library or dining room. The space is yours, it belongs to you collectively."

Duffy then gestures around his own office. "We have no enclosed offices. We have a street. The coffee place is designed so that people will bump into each other."

On inspection, the "street" turns out to be an aisle separating two lines of architects' desks. Challenged, he agrees that the metaphor is a little far fetched. "We are having to invent," he says. "For once the physical concept is ahead of the words."

Street or not, he may find his own offices more congenial than the splendid RIBA building in London's Portland Place. Ironically, it is just the sort of building in which he needs to open a new 600-pupil school every day for the next 10 years.

Californians, of course, also share national concerns about the low quality of public-sector

Educational dawn in California



MICHAEL PROWSE
on
AMERICA

California has a habit of anticipating the future. In 1978, the success of Proposition 13, an initiative demanding lower property taxes, set off a global movement towards lower tax rates. In a state-wide ballot on November 2, Californian voters will be asked to pass judgment on Proposition 174, an educational initiative of comparable importance.

Market-oriented reformers have long queried the public sector's near monopoly of education. The issue is not the need for public subsidies for elementary and secondary education (that is axiomatic) but whether governments should own schools and employ teachers. In theory, the education budget could be turned over to families in the form of "school vouchers." Parents would spend the vouchers at privately-run schools of their choice. The educational world would then reap all the natural benefits of competition - starting technical innovations, remarkable cost efficiency and a variety of teaching methods.

Proposition 174, the Parental Choice in Education Initiative, would turn this theory into practice. It says all parents should be given tax-credit vouchers, redeemable at private schools for about \$2,600 (£1,730) (roughly half California's per pupil annual expenditure on education) or at existing public-sector schools, for the full \$5,200.

Several states have experimented with the kind of reforms introduced in Britain, which offer limited parental choice within the public sector. But, barring a small experiment in Milwaukee, none has contemplated giving parents vouchers redeemable in private schools. That California is even considering breaking this taboo is a reflection of the intense strains posed by the explosive growth of its school-age population. On some estimates, the state will need to open a new 600-pupil school every day for the next 10 years.

Californians, of course, also share national concerns about the low quality of public-sector

schools, despite a 29 per cent increase in inflation-adjusted spending per pupil since 1983 and a decade of non-stop education "reform". Last week, the US Education Department released a report indicating that nearly half of all adults lack elementary skills in reading, writing and arithmetic.

The likely effects of Proposition 174 are hotly debated. Opponents, led by the financially powerful teachers' unions, say it would bankrupt the public-school system. Taxpayers would have to fork out \$2,600 for every student that left for the private sector, at the margin, however, savings would fall far short of this because of the high level of overheads (for example the cost of buildings and redundancy pay for obsolete teachers). Meanwhile, parents of students already educated privately would receive an unnecessary subsidy that would only inflate fees in the private sector. The gap between haves and have nots would widen.

Supporters dismiss such fears. Provided the number of students leaving the public sector substantially exceeds the 10 per cent or so already educated privately, the initiative ought to save money. This is because the proposed subsidy for each privately educated pupil is only half the current cost of education in the public sector. Since budgetary woes preclude a rapid expansion of public-sector education, financial incentives to promote new private schools are exactly the right response to current demographic pressures. The injection of real competition into a

system that has failed, say enthusiasts, cannot help but improve educational standards.

Will Proposition 174 succeed? Close observers of the Californian political scene, such as Mr Bruce Cain of the Institute for Government Studies at Berkeley, are doubtful. He says Proposition 13 succeeded because people expected it to bring immediate benefits from lower taxes. The impact of Proposition 174 is far harder to gauge: nobody knows how many students might shift out of the public sector or what this might do to public finances; the only clear beneficiaries are parents already paying for private schools. Given the complexities, he says, voters are likely to take their lead from the public figures who line up for and against the proposition. The danger is that it will become too closely identified with right-wingers and religious fundamentalists - liabilities in a state that returned two liberal Democratic senators in last year's election.

Even if Proposition 174 fails, it will force many people to think seriously about the merits of vouchers. In the affluent late 20th century why should the average family expect taxpayers to bear all the cost of education?

It is no use complaining that education is "different" because much is already provided commercially, for example through book publication and television documentaries. Nor can privatised education be rejected as unfair: every school system is already unjust because the best schools are invariably located in the richest areas. The issue is not fairness but whether the normal action of market forces should be permitted to improve the average quality of schools, thus benefiting even the poorest children.

With luck Proposition 174 might even embarrass Messrs Clinton and Gore. In spite of the hype about "reinventing government" they are reluctant in the face of union opposition even to promote increased parental choice in the public sector.

Of broking and jobbing the Pelikan's fond.
See how sweetly he puts your word onto bond.

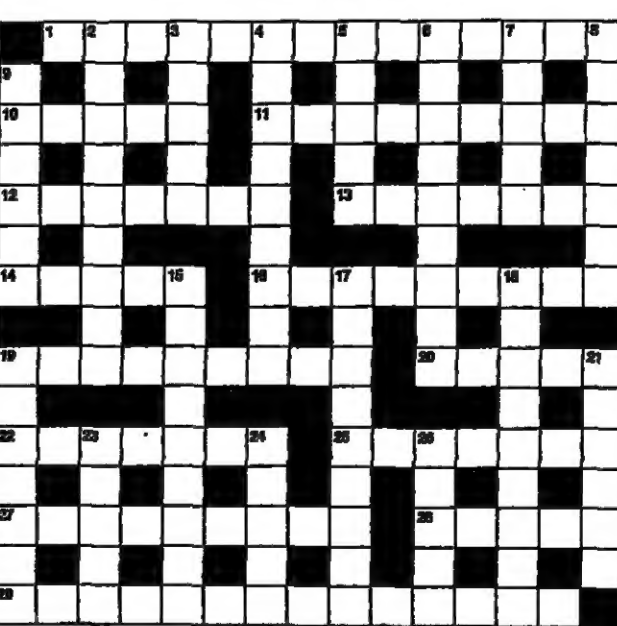
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ACROSS

- 1 Quite content with union benefits (7,7)
- 10 Wrong way to achieve a take-over (5)
- 11 Seasonal review (9)
- 12 One bill inside another one gets for bacteria (7)
- 13 Sells the dummy - touch-downs possible (5,2)
- 14 Widow endlessly displays keepsake (5)
- 16 A model of originality (9)
- 19 People engaged in a welcome correspondence (9)
- 20 Warm cuffs (5)
- 22 Solve a mystery and become brighter (5,2)
- 25 Master takes female, fifty, in marriage (7)
- 27 Refuse to pay a cheque? Shame! (9)
- 28 Confess one's escaped from Maidstone somehow (5)
- 29 Diana's job is a let-down (14)

DOWN

- 2 Like a pawnbroker? (9)
- 3 One in the eye for a learner (5)
- 4 Kill dead, accepting one pound for it (9)
- 5 An average sort of shirt is indicated (5)
- 6 They keep servants (9)
- 7 I'd an elevated title for legendary Welsh giant (5)
- 8 Deny one is about to become a senior member (7)
- 9 Some card games supplied by a stationer (9)
- 15 It's not alphabetical, that's obvious, of course (5,4)
- 17 Is able to do without a river craft (9)
- 18 He probably gets pleasure from his craft (9)
- 19 Agreed it's of small account and gave in (7)
- 21 Show rank subservience? (6)
- 23 Sees a new way, relaxes (5)
- 24 Snappy sort of finish (5)
- 25 It's the head of the monarchy has it (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 25.

Europe's flights of fantasy

In the 18 months since signature, the Maastricht Treaty has had such a sand-bagging first events in the real world, that it is hard to see how it can be made to work without a far-reaching re-think. Unfortunately, no-one is offering that.

The unresolved crisis in the exchange rate mechanism is, of course, the most immediate item on the European Community's emergency agenda, because it appears to threaten the objective of economic and monetary union, centre-piece of Maastricht. The crisis does not prove the arguments of those who say that the EMU objective is in any case ill-advised, unnecessary and unattainable. But it shows that the system was politically under-engineered, because the member states were unprepared to navigate through a heavy speculative upheaval. Chancellor Helmut Kohl seems unsure whether Maastricht's timetable should now be lengthened, or indeed shortened; but neither alternative is allowed for in the treaty.

But the ERM crisis is a political, not a technical problem. Experts may disagree over how, or indeed whether, to revise the details of the EMU programme. But the basic problem is that there is no political consensus on the objective of monetary union. When Maastricht was negotiated, the UK wanted the right to opt out; after two currency crises, British ambivalence seems to have been replaced by hostility. It is difficult to believe in the possibility of a renegotiated EMU programme, without political agreement on the final objective.



IAN DAVIDSON
on
EUROPE

Political dissent over the objective of EMU is symptomatic of widespread ambivalence over the objectives of Maastricht. It showed up vividly in the Danish and French ratification debates, as well as in opinion polls in other countries, but nowhere as deeply or as intensely as in Britain.

This ambivalence is starkest over Europe's foreign policy. One way or another, the member states will be compelled to resolve the EMU crisis, because non-solution will become intolerable: economic actors will not long accept instability and incompetence. But there can be no mechanical solution to the foreign policy quandary; every decision is a deliberate act of will, a reflection of fundamental political preferences. In Bosnia, France and Britain have worked closely together; but Maastricht maximises the procedural obstacles to multilateral co-operation, and in practice the policy of the Community towards ex-Yugoslavia has been catastrophic in its weakness and vacillation.

In a sensible world, member states would now conduct a thorough review of the treaty, as drafted, to see if it can be

made to work better. So far, there seems to be a serious mis-match between what Maastricht appears to promise, and what the member states are really committed to deliver. Is this mainly the result of British hostility to the whole enterprise? Or is it also the result of ambivalence in other member states? These questions need to be confronted.

But it seems the member states find these questions too disagreeable and prefer flight into make-believe. In Lisbon, and again in Edinburgh, they agreed to early membership negotiations with the four applicants from EFTA; in Copenhagen this June they brought forward prospects of membership for east European countries, and others.

According to one interpretation, the Community is now committed to an enlargement to 20 or 30 members within the next decade or so. Now there may be a politico-moral case, for the Community eventually to take in liberated eastern Europe. But does it make practical sense, on the basis of a treaty of European union which is not workable as written, and which does not appear to reflect a genuine political bargain by the member states? It is hard to imagine a recipe for greater political unity.

The Community cannot expand from 12 to 25 states without completely changing in character. There are four possibilities: accelerated federalism, with a vast increase in central powers; a multi-speed Europe, with overlapping membership circles; a comprehensive renegotiation of all existing Community policies; or the disintegration of all

common policy-making powers. None of these options is discussed; instead, it is assumed that the Community will be the same but much bigger, which is nonsense.

First, the Common Agricultural Policy could not be applied in eastern Europe, as it would mean a dizzying explosion both in the Community budget and in farm output.

Second, GNP per head in eastern Europe is one-tenth of that in western Europe. A Community with such disparities must mean a Europe which was brutally laissez-faire or one which was both federal and heavily centralised.

Existing Community policy should mean a vast expansion in the regional and other structural funds. But the conventional wisdom is that the Europe of nation states could not tolerate even a moderate amount of central budgeting and central authority. The conventional wisdom needs to find an answer to the fact that, even if the east grew by as much as 5 percentage points a year faster than the west, it would still take 48 years to catch up.

There are no simple solutions to any of these problems. The only solutions we know will not work, are those which pretend that Maastricht is fine as it stands. If the Community expands to 25 states, it will need considerable political surgery, and perhaps a political civil war. But governments prefer fantasy.

**Beyond Maastricht: Recasting the European Political and Economic System, by Peter Ludlow. Centre for European Policy Studies, 33 rue Ducale, Brussels.*

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